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# **East Europe**

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**Distribution Unlimited**

19990813 133

JPRS-EER-93-034-S  
Friday  
23 April 1993

**DTIC QUALITY INSPECTED 8**

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U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL INFORMATION SERVICE  
SPRINGFIELD, VA 22161

# East Europe SUPPLEMENT

JPRS-EER-93-034-S

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23 April 1993

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**\* Background, Views of Deputy Defense Minister**  
*93BA0758A Sofia DEMOKRATSIYA in Bulgarian*  
*4 Mar 93 p 8*

[Article by Asya Gruncharova: "After Television Khristo Tomov Will Straighten Out Defense"]

[Text] "I have succeeded in selecting highly qualified administrative deputies and chiefs" announced Valentin Aleksandrov in an interview with a Sofia daily newspaper on 22 January 1993. The personnel changes in the military department after New Year's were some of the most drastic ones. Eight people in the Defense Ministry leadership were dismissed after Aleksandrov assumed office. The mass communications media quickly noted this fact and forgot about it. What a cry there was for every hair on the head of a communist. With whom did the new minister intend to replace the persons dismissed for political reasons?

**He Worked Round the Clock but Came Up With No Solution**

The current deputy defense minister, Khristo Botev Tomov, left television as right-hand man of Ognyan Saparev with pleasant memories. At the beginning of 1991 he decided to introduce a market economy into BNT [Bulgarian National Television] and authorized every editorial staff to look for sponsors and advertisers on its own initiative, regardless of whether it had a specialized advertising editorial staff. As a result of this unregulated activity television lost 4 million leva because of disloyal internal competition. The failure was admitted even by the instigator, the BNT vice president at the time, Khristo Tomov.

The "producer's principle" was his motto. The creative artists and employees will remember three days in May 1991, when two or three persons of all professions and a group of specialists in games theory and simulation of real life situations were invited to a meeting in Pamporovo. Operators, production directors, producers, journalists, and so forth were to brainstorm on the subject proposed. The experiment was accompanied by drawing of diagrams and charts on the walls. Everything was recorded on cassettes. The materials were subsequently revised, but no one knows for whom and for what purpose.

"They worked from morning to night, almost round the clock, but the work did not produce any results" recalls Todor Strashimirov, general manager of TEKHNKA, who was in close official contact with Botev Tomov. One unpredictable element of the economic boss were the meetings. People emerged groggy from the meetings between the management represented by him and the trade unions. One session lasted eight hours. Under the pressure applied by the two trade unions and the program council, after a five-month guest appearance Khristo Botev Tomov ended his television career in forced retirement. The people at BNT were amazed to learn that the same unsuitable person had been appointed deputy defense minister for economic affairs.

**Administrator in the Name of Liebknecht**

Colonel Liebknecht Ognyanov became chief of administration on the team of Prussian Valentin Aleksandrov. Only when someone hears Ognyanov's given name does he seem to hear the salvo of the Aurora ringing in his ears. The formerly courteous military department leadership (of the time of Al. Staliyski) has displayed an inexplicable condescension toward this permanent staff member from the time of Dzheurov. Instead of being dismissed at the first sign that he was taking out information, and distorted information at that, for hostile newspapers, Ognyanov was promoted ahead of schedule and moved from department head to division head.

His current position is a reward for his duplicity with the order for dismissal of V. Aleksandrov, at the time a secretary of state in whom the SDS [Union of Democratic Forces] parliamentary group voted no confidence. Before Aleksandrov left for his office to submit his resignation, Comrade Liebknecht found a way to keep him from doing this, and Aleksandrov quickly vanished from the ministry, after suffering acute kidney trouble or hypertonicity. And so five months passed before he became minister and completely recovered. Now the professional in the Liebknecht Ognyanov political schemes heads the administrative apparatus. The people in the Defense Ministry have come to understand that the person who did well for himself under Dzheurov is now doing even better for himself.

**\* Legal Problems of Military Industries**

*93BA0758B Sofia DUMA in Bulgarian 2 Mar 93 p 8*

[Article by Khari Boev: "The Punitive Expedition Against 'PIMA' Had Unforeseen Consequences"]

[Text] *The General Staff did not know that preparations were under way to remove 54 plants from the military industrial complex system.*

"We did not know that Minister of Industry Rumen Bikov had drafted a proposal to remove the Zinor instrument plant from the Pima Company." Such are the words of directors of the Mikhaylovgrad company and the Metallkhim Holding Company of which that company forms part. The executive director of Pima, engineer Pavel Pavlov, and the director of the production management division, engineer Tsvetan Andreev, confirmed for the editors the facts presented in the Saturday edition of DUMA, in an article entitled "Bikov Launches New Punitive Campaign Against Arms Manufacturers."

The management of the holding company learned of the planned change, designed to block filling of orders accepted for nearly \$1.5 million and to interrupt talks about even more, from the newspapers. At the same time, it became clear that attempts to paralyze Pima have been in progress for some time. Many other instrument plants have no orders to fill; Pavlov and Andreev cannot understand why Bikov has taken action precisely against ours.

In connection with development of the structure of the military industrial complex, internal structural changes in



the company are prohibited until further notice. Such is the content of a telegram sent to Pima on 24 November 1992 by Deputy Industry Minister Todor Nenchev. The telegram ends by stating that the order also applies to reorganization processes currently being carried out.

Only a week later the only manufacturer in Bulgaria of grenade launchers, explosives, and other special products received a new order to the effect that restructuring would be carried out, but that other people would do it. Letter No. 26-P-191 of 1 December was signed by the same deputy minister. It called for nine documents "necessary for establishment of a privately owned corporation, Zinor Mikhaylovgrad." The capital of the corporation was to be determined by a memorandum of division. The last of the documents demanded was the position of trade unions whose opposition was noted in DUMA last week.

Attempts have been made for more than a year to separate from Pima one of its divisions with developed instrument making facilities serving all branches of the company in Lom, Vulchedrum, Chiprovtsi, Gorni Lom, Burziya, and Montana Square, and to convert it to a corporation. Such is the position presented by engineer Pavlov in letters to the prime minister, parliament, the Ministry of Defense, and the General Staff, the president's office, and to Bikov himself.

According to the head of Pima the reasons for this are the group interests of a handful of people headed by Zinor director Chavdar Todorov, who have "been met with understanding" in the Ministry of Industry. For this reason administrative pressure was applied to him, including a demand for explanation of why he had not forwarded the nine documents needed for the separation. Without taking the positions of the staffs, unions, and legitimate managements of the company into consideration, according to Pavlov. Bikov, by the way, proposed Chavdar Todor as director of the projected new corporation.

The General Staff received information on a report that had been drafted on the subject of reorganization, restructuring, and removal of 54 plants and enterprises from military industry, wrote General Lyuben Petrov to the prime minister in mid-November 1992. The chief of the General Staff requested that such a question not be considered and moved on to the subject of determination of new mobilization missions and capabilities of new military plants covered by the national security concept.

However, according to arms manufacturers, this did not prevent metallurgist Bikov from arbitrarily removing mobilization obligations from defense industry, hiring private firms with mobilization plans, and enforcing defense branch mission elements. The number of professional managers in the arms industry who have been dismissed is approaching 300, most of them to the advantage of Bikov, according to informed sources.

The head of the special production administration of the Ministry of Industry, Bozhidar Penchev, recently told arms manufacturers that they are naive; it has long been

known who would receive what. This calls to mind the assurance given by Bikov that he would continue the policy of the F.D. cabinet in the Berov government.

#### \* Numbers, Professional Categories of Unemployed

93BA0757A Sofia BULGARSKI BIZNES in Bulgarian  
12 Feb 93 p 3

[Article by Svetla Dimova and Veselin Indzhev: "Unemployment Has Jumped 17 Times in Two Years"]

[Text] *The transition toward a market economy in the former socialist countries is accompanied by increasing unemployment.*

At the initial stage, unemployment hidden inside inefficient economic structures immediately comes to the surface because the transition toward market structures has eliminated the possibility to maintain ineffective production and activities.

On the other hand, the restructuring of the economy requires time and resources, while even the relatively efficient (or at least, necessary for society) production and activities are being suffocated by the lack of raw materials, other materials, and energy. The high-cost modern factories started treading in place after registering market losses. The decrease in production and increase in unemployment are expressed in approximately the same numbers.

Unemployment in Bulgaria has its own specific characteristics related to the reasons for its growth and composition observed in the last two years.

From July 1990 (since then the labor market has been monitored regularly) until the end of 1992, the number of unemployed in the country has increased by a factor of 18.6 (from 31,030 in July 1990 to 576,893 in December of 1992). The unemployment level calculated as a ratio between the number of registered unemployed in the unemployment bureaus and the number of employed individuals in the public sector during the transition period has increased by approximately the same factor. It must be noted here that it is still not possible to determine exactly the unemployment rate in our country because there are no precise data on the number of individuals employed in the private sector.

#### Critical Points

If we use some international criteria in differentiating various degrees in unemployment and accept the critical points fixed in a number of countries, we can come to the following conclusions:

—We cannot speak of unemployment per se in our country before March 1991, because it was at that time when the unemployment rate exceeded 3 percent: The unemployment rate in February 1991 was 2.7 and in March 1991 it was 3.6 percent. At the same time the effect of the changes in the economic system was beginning to be

noticed, and a large part of the workforce was already potentially unemployed during this period;

—Until August-September 1991, the unemployment rate was still bearable. In August 1991 the rate exceeded the 8-percent line. The unemployment rate reached 8.4 percent.

—Rates of 10 to 12 are considered excessively high. While at 10 percent the processes are still manageable, over 12 percent they are difficult to control from the center and can easily go out of control if there is a decrease in the living standards, with all the ensuing social consequences.

In November 1991 the unemployment rate in our country surpassed the 10 percent barrier (to 10.6 percent), while in April 1992 it surpassed 12 percent by reaching 12.4 percent.

Of course international criteria should not be taken unquestionably because the socioeconomic conditions in Bulgaria differ substantially from those in countries with developed market economies.

For our conditions, the rate of increase in unemployment, changes in the structure, signs for future economic revival, the possibilities and outlook for development of the private sector, and others should be taken into account along with unemployment-rate figures.

#### Changes in the Structure

From July 1992 to the end of the year 1992, the following basic trends in the type of unemployed were noted:

- The relative share of unemployed classified as "without specialty" increased greatly (approximately five times)—from 10.1 to 49.4 percent of all registered;
- The relative share of the unemployed classified as "skilled workers"—from 48.6 percent at the beginning of the period to 32.5 percent in July 1992 and 30.1 percent in December 1992;
- The relative share of the group of "specialists" is decreasing—from 41.3 percent (July 1990) to 23.4 percent (July 1992) and 20.4 percent by the end of 1992;
- The share of young unemployed remains at the same level (46.3 percent in July 1990, 45.9 percent in July 1992, and by the end of 1992 it decreased slightly to 44.8 percent);

—The relative share of unemployed women is decreasing—from 67.5 percent at the beginning of the period to 52.4 percent in December 1992;

—The relative share of unemployed with university degrees is decreasing—from 16.4 percent in July 1990 to 6.9 percent in July 1992 to 6.1 percent at the end of 1992.

#### Unemployed Professionals

The makeup of the group of unemployed professionals depends to great extent on the makeup of the group of employed, or rather, on the professional and educational structure of the economically active population as applicable to corresponding categories of professionals. This is why the "unemployment" indicator calculated for each category shows the true segmentation of the labor market according to educational and professional factors.

About 30 July 1992, the highest level of unemployment was registered by agricultural professionals—54.4 percent of the employed professionals in August 1990 (when, under the conditions minimal unemployment, the number of employed was close to the number of economically active individuals in the population) were registered as unemployed. This group also had the highest unemployment rate in July 1990—4.6 percent.

After agricultural professionals, the most affected category during this period are engineers. The unemployment levels for this group are 2.6 percent in August 1990, 38.0 percent in July 1992, and 63.5 percent by the end of 1992.

The data shown in the table can be analyzed from the point view of mean unemployment rates in the country for the periods under examination—0.8 percent in July 1990, 13.4 percent in July 1992, and 15.3 percent in December 1992.

For the two-year period between July 1990 and July 1992 the mean unemployment rate in the country increased by a factor of 16.7, but for individual professional categories this increase is quite different. For example, the greatest increase is found for the category of engineering and technical professionals where unemployment has increased by a factor of 14.6, and health care workers where the increase is by a factor of 14.0. The least increase in unemployment was experienced by economists; the increase was by a factor of 6.1, and the category of education specialists, where the increase was by a factor of 7.3. Overall, however, the increase in the unemployment rate in individual professional categories, as well as for all professionals combined, is significantly lower than the increase in the unemployment rate in general.

Unemployment Rates According to Professional Category (in percent)

Category	Jul 1990	Jul 1992	Dec 1992
Engineering and technology	2.6	38.0	63.5
Agriculture	4.6	54.4	69.7
Economics	1.6	9.8	12.9
Health care	0.2	2.8	3.3
Education	1.0	7.3	9.8
Art	1.1	10.4	15.2

### Measures for Dealing With Unemployment

Two sets of measures in employment policy were undertaken during the past period, which played different roles and had different effects on the labor market. The passive measures were undertaken to preserve living standards above a certain minimum level and include the system of unemployment insurance and benefits. The set of active measures was undertaken to establish positive motivation in all elements of the labor market to preserve and increase the number of jobs.

The "active basket" of measures includes: encouraging the entrepreneurial spirit and the creation of new jobs by making available lower interest rates on loans to companies and organizations which increase the number of jobs; lump-sum unemployment insurance payment to individuals starting their own business; and incentives to employers who hire young specialists, skilled workers, the handicapped, and others. Employment programs are being

developed in underdeveloped ethnically mixed areas where uranium mining and other mining enterprises are being closed, in municipalities where the unemployment rate is above average, and others.

In the Unemployment Benefits and Job Creation Incentives bill, the statutory regulation of measures to provide incentives for creating jobs has been broadened, and there are more opportunities for the government to finance, aid, and coordinate the measures to preserve and increase jobs.

Significant help in overcoming the severe conditions in the labor market is expected from international institutions in providing incentives for self-employment, retraining, and others.

The outlook for developments in the labor market during this year is pessimistic. It is unlikely that there will be any significant increase in the demand for labor in the restructuring economy.

**\* Budget Reexamined in Light of Economic Reforms**

93CH0526B Prague EKONOM in Czech 18-24 Mar 93  
pp 21-23

[Article by Eng. Vera Kamenickova, candidate of sciences,  
Ministry of Finance: "Once More About the Budget"]

[Text] EKONOM No 10, 1993 carried an article entitled "The Budget Numbers." The author, Mr. Petr Fejtek, dealt with the state budget for 1993. However, it is necessary to supplement his information regarding the functions and developments of the budget in the period of economic reform. We should evaluate the budget, much like any other attribute of the economy, in the context of its past development. The budget for a certain year has its possibilities as well as its limitations. These are not given merely by the current situation, our desires, and the developments of the external environment. Past development creates the determining aspects of future opportunities and limitations.

**Budgetary Management**

At the beginning of the economic reform in Czechoslovakia, the budget represented a conglomeration of difficult-to-oversee relationships between the state, the enterprise sphere, and the population. The functions the budget fulfilled differed considerably from the functions of the budget in a standard economy. The reasons are obvious: With a certain degree of exaggeration, the entire Czechoslovak economy represented a single large public sector; the efforts by the state to intervene in everything, on the one hand, and state paternalism, on the other, had reached significant levels.

Since that time, the budget has undergone a number of changes aimed at the gradual restriction of state intervention in the economy. These changes also had to do with the new task of the budget in influencing economic development. However, the extent of the changes is not always discernible on the basis of global statistical indicators at first glance. These primarily include the development of the share of budgetary expenditures in the gross domestic product (see Table 1).

**Table 1 Share of Budgetary Expenditures in the GDP (Billions of Kc in Current Prices)**

	1989	1990	1991	1992 <sup>1</sup>
I) Budgetary expenditures	414.9	455.9	515.9	551.0
II) GDP	758.7	811.3	977.8	1,009.4
II) Expressed as percent of I	54.7	56.2	52.8	54.6

<sup>1</sup>Estimate

Source: Federal Ministry of Finance

The development documented in Table 1 was influenced primarily by two new aspects of budgetary management. First, some new line items appeared in budgetary expenditures—for example, expenditures connected with unemployment: contributions to the unemployed and contributions aimed at supporting the creation of new jobs.

Second, in the period 1990-92, the real GDP declined by more than 20 percent. In maintaining essentially the same ratio between expenditures in the budget and the volume of the GDP, there was, thus, a real decline of budgetary expenditures by one-fifth.

From the listed data, it can be deduced that the government anticipated a decline in production to a certain extent and adapted its expenditures to this anticipated decline. The result was that budgetary expenditures did not make a more specific contribution to the growth of the state debt, as we could observe with respect to other economies that were reforming themselves.

The fact that this result was not achieved without cost is clear. No matter how desirable or justified the restriction of the public sector may be, it is always a long-term process and cannot occur without short-term painful impacts. In comparison with the private sector, the efficiency of the

public sector is always lower. This difference is multiplied under Czech conditions by the magnitude of the public sector and by the fact that the private sector is small.

**Fiscal Policy**

Budgetary reform was initiated in conjunction with the economic reform. Budgetary reform was focused on making the budget more transparent and changing it over to the standard methodology of compiling and displaying. A specific aspect of the budgetary changes involved the restrictive intent of the budget, which was announced as early as the time the original budget for 1990 was being reworked. The budget thus fulfilled an important stabilizing function in influencing economic development during the course of the economic reform.

Extensive discussions are being held in Czechoslovakia regarding the correct dosing of restrictions. One can polemicize regarding the extent to which fiscal policy was restrictive—a budget surplus was achieved only in 1990 (see Table 2). One thing, however, is certain: The restrictions were and are one of the most important instruments for making money a rare commodity for economic entities. The fact that money was not such a commodity, and still is not to a considerable extent, perhaps does not require documentation.



Table 2 Development of Budgetary Balances for 1990-92 Period (in Billions of Kc)

	1990	1991	1992 <sup>1</sup>
Total budget	7.1	- 10.4	- 8.0
Federal budget	4.0	6.4	- 7.0
Czech Republic budget	0.2	- 13.6	- 1.7
Slovak Republic budget	- 0.4	- 10.3	- 7.9
Territorial budgets	3.3	7.1	8.6
Share of total balance in the GDP (in %)	0.9	1.1	0.8

<sup>1</sup> Estimate

Source: Federal Ministry of Finance, Czech Republic Ministry of Finance

To the same extent, fiscal restriction was necessary at the moment prices and foreign trade were liberalized, when the internal convertibility of the koruna was introduced, and when privatization began, as well as during the period immediately following. Restrictive fiscal policy acted as an instrument to prevent the onset of the inflationary spiral and for the assertion of a stable economic environment.

A certain magnitude of the budget or its function are not goals in and of themselves. They are instruments for the achievement of higher goals, goals that benefit society. This can be characterized in many ways. For purposes of evaluation, the economy normally uses macroeconomic aggregates and their development over time.

Outside of Czechoslovakia, such macroeconomic results for a given period, measured in terms of such macroaggregates as inflation, unemployment, growth, balance of payments, and public debt, are generally viewed very positively. Domestically, nothing is undisputed. The fact that the world compares us with the other transforming economies plays its role, whereas we tend to compare developments in terms of time.

The very essence of these indicators makes it obvious that success cannot be achieved in full measure all at once. The goals pursued are mutually competitive and substitutable. Countries differ considerably from each other as to the importance to which they ascribe one or another goal at a given time. The situation in Czechoslovakia is all the more difficult because there is a shortage of historical experience involving inflation, unemployment, a decline in economic output, and excessive debt. There is nothing to compare with, there is no basis for an estimate of the reaction by economic entities to changes in the extent to which these goals are being met.

However, something is known. The official indicators of the measure of inflation were underestimated. They failed to measure hidden inflation and were unable to reflect suppressed inflation. The national income, or the GDP,

contained a number of products and services for which there was no demand or which were being sold only because domestic competition was suppressed to the maximum. Similarly, the share of supplies and incomplete construction "artificially" increased this aggregate figure. Certainly, one could find a whole series of "also products," the nonexistence of which would very likely vex no one other than their manufacturer. At one time, there was also much discussion regarding overemployment. In view of estimates made at that time, the magnitude of overemployment makes current unemployment continue to appear low.

Despite the fact that the budget itself is not the principal goal, its role in shaping a prospering society is important. Its most important parameter is generally considered to be the final balance of management and its relationship to the GDP. This information is provided in Table 2.

From the appearance of this table, it is clear that a surplus in the overall budget was achieved in the period under analysis only during the first year of the reform. In comparison with other countries undergoing reform, this turns out to be a success for Czechoslovak fiscal policy anyway.

The altered functions of the budget can also be documented on the basis of the development indicated with regard to the structure of its revenues and expenditures.

#### Revenues

The development of budgetary revenues and their structure is shown in Table 3. The development of revenues was influenced by the discontinuation of supplemental payments based on profits of enterprises (1990) and by price surcharges and price reductions involved in imports and exports (1991). Halfway through 1990, the negative tax on food sales was eliminated. This measure was revenue-neutral because it was compensated for by the introduction of a state equalization supplemental payment. During the course of 1991, this payment was increased in conjunction with lowering subsidies for energy.

**Table 3 Development of Budgetary Revenues (in Billions of Kc and Percent)**

	1989	1990	1991	1992 <sup>1</sup>
Total revenues (in billions of Kcs)	415.4	463.1	505.5	540.0
Total revenues (in %)	100.0	100.0	100.0	100.0
a) Tax revenues:	91.1	91.3	94.4	86.5
Direct taxes	70.6	65.8	67.7	60.2
Taxes from individuals	14.6	13.6	15.2	14.3
Taxes from enterprises	56.0	52.2	52.5	45.9
Indirect taxes	20.5	25.5	26.7	26.3
b) Nontax-type revenues	8.9	8.7	5.6	13.5

<sup>1</sup>Estimate

Source: Federal Ministry of Finance

In 1991, the design of sales tax rates was changed. From the net difference between retail and wholesale prices, four tax rates were fashioned as follows: 0, 12, 22, and 32 percent. These were reduced by 10 percentage points in 1991. During the entire period under examination, special taxes (consumer taxes) were not adjusted for inflation.

The tax burden for the enterprise sector was reduced. On the one hand, as a consequence of changes in the tax rate from 75 percent to 85 percent, a reduction took place to 55 percent in 1992; and, as a consequence of tax relief—tax exemption, the deferral of tax payments, and a relatively high write-off to cover the costs of doing business.

The taxation system valid until the end of 1992 favored the services sector and small business, for example, as far as payments made on the basis of wage levels is concerned. However, these were areas that experienced the greatest growth in the period under consideration. The budget was thus deprived of a portion of its revenues. In support of the balance of payments during the period of foreign trade liberalization, an import tariff covering the importation of consumer goods was temporarily introduced.

In 1992, those retirees who were drawing wages in addition to their pensions were subjected to higher taxation.

From Table 3, it is obvious that taxation of the population, measured primarily in terms of individual income tax, remained essentially preserved. (The share of taxes derived from the population in total budgetary revenues declined negligibly from 14.6 percent to 14.3 percent.) Total taxes on the enterprise sector were lowered, even though they remained the most important component of budgetary revenues. A temporary increase was effected in 1991, particularly as a result of the price increases in the first quarter.

As far as taxation of small and medium-size business is concerned, the period under consideration saw the introduction of an advantaged tax regime as a result of lower tax rates, tax deferments, and tax relief, and through the use of a relatively high across-the-board write-off to cover the expenditures of doing business. In the period under analysis, the volume of contributions for social insurance made by small businessmen was very small.

Fundamental changes in the taxation system were not accomplished until the tax reform that became effective on 1 January 1993.

While the development of budgetary revenues normally automatically reflects developments in economic output, the same is not true for budgetary expenditures. Here, in the event of economic decline, it is always necessary to pursue measures designed to maintain harmonious development between expenditures and revenues. Even here, a certain degree of "automatism" exists. However, under conditions of an economic decline, this acts in the direction of preserving the real extent of expenditures or, possibly, increasing them.

#### Expenditures

As can be seen from the above-listed data on the balance of budgetary management, this "automatism" was successfully mastered in Czechoslovakia in the period 1990-92. Nevertheless, it is possible to record the growth of some expenditures, particularly those made for the social safety net. Unemployment contributions were introduced at the beginning of 1990; in that year, the state equalization contribution was introduced and pensions were valorized, particularly the lowest ones, in accordance with developing inflation. Social security expenditures represent the predominant portion of transfers to the population (see Table 4).

**Table 4 Development of Budgetary Expenditures (in Billions of Kc and Percent)**

	1989	1990	1991	1992 <sup>1</sup>
Total expenditures (in billions of Kc)	414.9	455.9	515.9	551.0
Total expenditures (in %)	100.0	100.0	100.0	100.0
a) Transfers to enterprises	20.2	18.4	12.5	9.4
Capital transfers	2.6	2.3	2.1	2.3
Noncapital transfers	17.6	16.1	10.4	7.1
b) Transfers to households	23.4	25.0	30.3	29.4

Table 4 Development of Budgetary Expenditures (in Billions of Kc and Percent) (Continued)

	1989	1990	1991	1992 <sup>1</sup>
c) Public consumption	56.4	56.6	57.2	61.2
Capital type	8.1	8.0	8.8	8.5
Noncapital type	48.3	48.6	48.4	52.7

<sup>1</sup> Estimate

Source: Federal Ministry of Finance

On the other hand, additional social payments, such as child support payments, were not valorized; gradually, the circle of individuals who were entitled to state equalization contributions for pensioners and minor children was narrowed.

In this conjunction, it is necessary to recall that the social network created after 1990 was related to the nonspecific system of social contributions from the previous period, which was very expensive in view of the possibilities for financing it. Certain modifications in this direction have already been accomplished, but the major portion is still awaiting realization.

The most specific decline was experienced by budgetary subsidies. Subsidies of food prices, in the form of a negative sales tax, were eliminated, as were subsidies for energy, with the exception of those for heat. Subsidies in foreign trade were also eliminated. Subsidies for housing were reduced. And so were subsidies for agriculture. And the subsidy system was changed in that the subsidies are aimed at stabilizing the prices received by agricultural producers and at restructuring agriculture.

The most important component of the expenditures made for public consumption is represented primarily by expenditures for education and health care. In this regard, it is necessary to recall that the predominant portion of resources available for services in these two sectors is realized through the budget. The role of the private sector in this area and during that time was and actually still is negligible. However, a portion of the growth was brought about by the general growth of prices, which increased substantive costs in these sectors, as well as by modifications of wages, which had been traditionally low in this area. Overall, it can be said that increased expenditures made it possible to preserve the real level of these public services.

As early as the course of 1990, the first private schools began to appear. Despite their relatively high degree of growth, they continue to be of little importance. These schools are the recipients of 90 percent of subsidies—in comparison with state schools. The mainstream of privatization in health care is not expected to set in until this year.

Expenditures for state administration have undergone a number of changes. The entire period under analysis is characterized by a shift in jurisdictions from federal organs to republic organs, including the establishment of new ministries and offices in the republics, as well as the transformation of the economy (the establishment of offices for economic competition, labor offices, taxation

offices, small business offices). Moreover, there was a shift in jurisdictions among republic organs and territorial organs when it comes to the provision of public facilities in health care and education.

There has been an unequivocal decline in the case of expenditures for defense. This is connected primarily with the change in the political situation in Europe. In 1991, obligatory universal military-service time was reduced from two years to 18 months. Halfway through 1991, the last units of the former Soviet army left the territory of Czechoslovakia. On the other hand, the trend of declining expenditures for defense was countered by a growth in expenditures from the state budget connected with the preservation of the armaments industry. This situation was particularly difficult in Slovakia.

Expenditures for security were restructured. The entire security system was changed; for example, the standing and the mission of the secret police were changed. The expenditures for security could not help but reflect increasing criminality, which has to do, on the one hand, with the opening of borders and, on the other, with the liberalization of living conditions in Czechoslovakia.

In terms of transfers to the population directly and indirectly, even in public consumption, there is a reflection of the awareness of government of the political importance of a population consensus with regard to the transformation of the economy and all of society. Despite a relatively unfavorable economic development and, subsequently, even of budgetary revenues, considerable resources were expended for the establishment of an adequate social net. Its goal was the prevention of a specific decline in the standard of living for socially weak strata of the population and to prevent specific social conflicts from developing.

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From the standpoint of macroeconomic results that have been achieved and in comparison with other economies that are reforming themselves, it is possible to evaluate Czechoslovak fiscal policy favorably, even though the separation of its influence from the consequences of monetary policy, structural policy, and pension policy is always problematic.

However, what is clear is that fiscal policy did not result in excessive growth of the state debt. In this way, it contributed to the fact that the burden of debt service currently and in the foreseeable future is manageable.

In 1992, the state entered the monetary and capital market. The issuance of state bonds and state cash



vouchers is currently the only possibility by which the budgetary deficit and debt can be financed. These measures act to prevent any possible monetarization of the state debt.

In 1993 and the subsequent period, it is possible to anticipate additional changes in budgetary management. They are related to the deepening of those functions of the budget that reflect the mission of the budget in market economies.

#### \* Present, Future of Agriculture Assessed

93CH0526D Prague EKONOM in Czech 18-24 Mar 93  
pp 43-44

[Article by Jaroslav Hejkal: "Agriculture Is Still Alive"]

[Text] *This year, our farmers have virtually completed their traditional prespring deliberations. They took place at meetings, activists, and general assemblies at various local, regional, and central levels. Not only was "dirty laundry washed" at these meetings, but they were also used to "hatch plans" for the future and particularly to debate problems that impede progress in this sector.*

#### Last Year, They Lost 13 Billion Korunas [Kc]

Let it be said that Czech, Moravian, and Silesian farmers have more than enough worries and fears regarding future developments in agriculture. Many of these difficulties, which result from last year's operations, were recently brought to the attention of journalists by representatives of the Czech-Moravian Agrarian Union. They were successful in gathering information from approximately 63 percent of all agricultural cooperatives and from more than one-third of the state farms. According to this probe, last year's final results for our agricultural enterprises were much worse than those achieved in 1991. Specifically, financial losses were experienced last year by an average 44 percent of the 817 agricultural cooperatives in the sample. (Similar developments last year also held true for state farms.)

On the basis of these facts, it is possible to estimate that 1,200 agricultural cooperatives that now exist in the Czech Republic together lost more than Kc5 billion and that 380 hitherto untransformed state farms lost as much as Kc8 billion. In other words, the overall losses suffered by these decisive agricultural entities in the Czech Republic last year exceeded Kc13 billion, which is 42.5 percent worse a result than that achieved in 1991.

#### The Starting Situation Is Even Worse

Last year's highly unfavorable development in agriculture in the Czech Republic is attested to not only by lower output and sales (the latter declined by about 10 percent), but also by the fact that the desirable inputs were not forthcoming for financial reasons. (In comparison with the previous year, they are lower by approximately 6 percent—that is, by Kcs3.5 billion). This means that deposits made by farmers in future management in the form of purchases

of fertilizer, seed stock, and fodder, and also in terms of repairs and new equipment, were substantially lower last year.

What is also surprising is the situation that pertained last year in livestock production. According to available information, there was a considerable decline, for example, in cattle holdings. The number of milk cows—including those being kept by beginning private farmers—was about 920,000 at the end of 1992, which is a far smaller number than that anticipated by the agrarian program. And it is appropriate to stress that it is precisely cattle that are among those agricultural commodities that can be sold off relatively rapidly but that are very difficult to subsequently return to the production process. Moreover, breeding activities are in decline, as is the utility of cattle, and so forth.

Unsatisfactory development continued last year in terms of rewards for farmers because wages in agriculture essentially stagnated, and, in comparison with other sectors, their average level now occupies one of the last places.

In other words, it can be said that last year's development in our agriculture constitutes a maximum warning and should not be repeated.

#### Every Question Has Its Answer

I asked the president of the Czech-Moravian Agrarian Union, Eng. Frantisek Bartos, the reasons for this unfavorable situation. "It is primarily the result of the application of price shifts to all of our agriculture," he noted and stated the following facts: "In comparison with 1989, the past three years have seen an increase in the price of fuels by approximately 150 percent and a rise in the cost of industrial fertilizer by about 97 percent. Chemical insecticides and plant protective agents have risen 140 percent, industrial fertilizers have increased in price by 25 percent, and spare parts and other materials have increased in price by 116 percent. On the other hand, the overall level of bulk-buying prices for agricultural products for the same period rose by only 11.3 percent, including the prices paid for plant products by 18.5 percent and livestock products by 6 percent. Moreover, in January of this year, bulk-buying prices for livestock products, with the exception of milk, declined still further, although consumer prices for food rose 5 to 8 percent that very month."

According to documentation processed by the Czech-Moravian Agrarian Union in cooperation with the Research Institute for Agricultural Economics, increases in agricultural input prices have the following consequences: For example, the cost of producing 1 kg of slaughter steers and heifers, given a model daily weight increment of 90 dekagrams [dkg] and a slaughter weight of 500 kg, is approximately Kc32.50-33.50. The same holds true even in the production of milk (given an annual utility of 3,800 liters per milk cow, the expenditures involved in producing 1 liter of milk are running about Kc6.35) or in the case of slaughter hogs (given a model daily increment of 65 dkg, the production of 1 kg of pork comes to Kc26.10).

And Eng. Frantisek Bartos stresses that "it is essentially of no consequence whether an agricultural producer is operating on the basis of a cooperative or a commercial corporation, whether he is renting the land, or whether he is a private farmer because these price consequences impact on every farmer, on all of agriculture as a sector, and, if they are not solved, they will impact on all citizens of our state, albeit with a certain time delay."

#### **Farmers Will Get Paid If There Is Anything Left**

I also asked Eng. Jan Fencl, the chairman of the Czech-Moravian Association of Agricultural Cooperatives, how he views past developments in agriculture.

"Let us try to view the entire problem completely humanely. Our farmers are behaving in a completely antimonopolistic manner. This is the result of the fact that they exist virtually all over the republic so that, despite various efforts, they are unable to unite to exert some kind of common pressure. For example, let us recall the beginning of our economic reform. Agriculture was the first to be thrown into a nonfunctioning market with defined maximum consumer prices involving decisive commodities. This acted to block these prices, and the latter were then used in the development of prices for the businessman and the processor. Of course, for them there was always a certain measure of profit. What was left over in the end was left over for the farmer as the primary producer.

"Unfortunately, this mechanism is essentially functioning in our country to this day. Let us recall, for example, the end of last year. At that time, the only commodity to revive in farm prices was pork. And what happened? A countermeasure was immediately adopted: Symbolically, at dumping prices, 20 dkg of pork per adult citizen were imported into our country, and the maximum consumer price was set in the commercial network. I want to use this to document the following fact: All of our businessmen, without regard as to where they are in business, will calculate their expenditures and then add a certain amount of profit and arrive at a market price. The only ones who are prevented from doing so are farmers.

"And this was confirmed even at the beginning of this year, when consumer prices rose by 8.9 percent, a rise that was partially attributed to processors and business people. The problem was discussed in a tripartite manner by business people, the trade unions, and the government administration. The result of these negotiations was a mutual 'understanding' that the increased prices had to necessarily reflect not only the value-added tax, but even increased prices for inputs—say more expensive automotive fuels, more expensive rentals, more expensive shipping costs, and so forth. So that all three parties in the tripartite discussions calmed down in the end and, essentially, nothing changed. And, for the same period, farm prices, with the exception of milk, declined by 3 to 5 percent! This is a consequence of the still relative surplus of some agricultural products, which is based on the purchasing power of the population and on import policies. This problem must be solved through a certain regulatory

system that is customarily in use in other countries having market economies. Simply stated, this involves the introduction of a quota system and the appropriate minimum and maximum prices for farmers."

#### **Frogs at the Well**

The prespring deliberations of our farmers also heard some harsh criticism of food-processing enterprises. In view of the fact that, during the first round of privatization, the then untransformed agricultural enterprises were prevented from participating in the privatization of food-processing enterprises, the desirable interconnection of interests between agricultural primary production and secondary foodstuffs production did not occur. On the contrary, because privatization was prohibited for agricultural legal entities, conditions were created for the expansion of the processing monopoly, which farmers consider to be "a frog at the well" in terms of subsequent development. They believe they should be given the opportunity and should receive aid at least in privatizing the remaining food-processing enterprises.

Similarly, the privatization of state farms is being unnecessarily prolonged, according to representatives of the Czech-Moravian Agrarian Union, which constantly worsens the prerequisites for their successful transformation. There is in fact the danger that, in a number of state farms, this year's spring work will not begin because they lack the financial resources to purchase diesel fuel, seed stock, and fertilizer, and even resources to pay wages to employees who are leaving their jobs in massive numbers. "It runs counter to nature if the farmer fails to plant his seed in the spring," was a comment on this status by Eng. Jaroslav Brom, candidate of sciences and chairman of the Union of Private Farmers and Agricultural Businessmen. "The existing economic situation, however, virtually forces such behavior onto our hitherto unprivatized state farms. The longer this preprivatization agony is prolonged for them, the worse the situation will become."

#### **A Solution Cannot Be Put Off**

As is known, toward the end of last year, an agricultural program saw the light of day in our country. Our farmers, through their representatives in the Czech and Moravian Agrarian Union, welcomed its fundamental procedures by suggesting that it be updated and that it reflect the actual situation in agriculture, including its transformation, which is supposed to be completed this year. The program anticipates a decline in agricultural production and in the number of employees in agriculture. Nevertheless, it is counting on a certain surplus of agricultural products produced here. It is figuring on protecting them in our market and on supporting their exports.

This is why the Fund for Market Regulation was established, which makes possible a certain statewide subsidy policy. However, this policy is predominantly aimed only at renewing private operations by individual farmers. Representatives of the Czech-Moravian Agrarian Union, however, are demanding that legal entities be permitted to go into the agricultural business this year, with the same

degree of state support—in other words, that transformed agricultural cooperatives and other associations that will already be recorded in the Commercial Register be allowed to function. This, according to them, is the only way in which the intention to lower, by more than one-half, last year's losses suffered by our agriculture can be realized. At the same time, they consider it necessary to figure on a certain increase in agricultural product market prices this year and to expect the lowering of agricultural input costs or possibly an increase in the compensation regime.

#### **It Is Struggling but Nevertheless Alive**

I understand that representatives of all industries and sectors know how to hold out their hands; nevertheless, our state has ceased being a milk cow. Is this understood even by the representatives of our farmers?

**Eng. Jan Fenc:** "If the intervention by our state into agriculture is the lowest in the world, it is obviously because it cannot afford more. Then, of course, it must make use of other mechanisms so that we can overcome this handicap. That is why the borders of our state cannot be as open to agricultural products from abroad as they are for the flow of agricultural products from us to foreign countries. After all, are our products, which enjoy an 8-percent subsidy if they are subsidized at all, capable of competing with identical products that are subsidized beyond the borders of our country by 60 or more percent?"

**Eng. Frantisek Bartos:** "We know the kind of problems with which agriculture is dealing in the countries of West Europe; and we understand the efforts by those governments to help their agricultural exports solve their overproduction programs through state intervention. Of course, we, too, have problems with sales, and that is why we are trying to export part of our overproduction. But, if temporary customs and other protection against imports is not introduced here, and if there is no government intervention pertaining to exports of agricultural and food products, this will act to the detriment not only of our agriculture but also of everything else that is connected with agriculture in our country."

As you can see, our agriculture is struggling but is nevertheless alive. It is living in the hopes that it will have the fundamental prerequisites to gradually become healthy and to fulfill with honor its irreplaceable function in our society.

#### **\* Use of 'NEAT' Method for Stock Valuation Advocated**

93CH0526C Prague EKONOM in Czech 18-24 Mar 93  
p 32

[Article by Robert G. Kuklik: "How To Quickly Determine the Market Value of Stocks and Options—A New Method for Investors"]

[Text] *In the process of privatization, a large number of Czech and Slovak enterprises needed to undertake market valuation and to determine the real market value of their companies. Market valuation was essential in those cases in which the valuation of the firm included foreign interests, either by purchasing the entire enterprise or a portion of it.*

*Realistic market value formed the basis for negotiations and sales that took place under the leadership of the Fund for National Property and were subject to government approval.*

Some firms that were privatized within the first wave of coupon privatization left the decision regarding the entry of foreign partners until the period of establishing ownership organs that came into being as a result of privatization. Although they can thus partially succeed in evading the actual process of state bureaucratic approval, it would probably not be efficient for them to sell securities or similar other ownership deposits without the clear knowledge of the current market value of the firm and its anticipated future development.

In computing the value of an entity using discount cash flows (DCF), a number of companies that engage in market valuations set the discount rate by means of artificially comparing it with foreign capital markets. The acquisition of comparable information, however, always requires much time and, subsequently, relatively significant expenditures for research conducted by foreign specialists.

#### **New Method**

The CS Forum Corporation, Limited, which is part of the Anglo-American firm Forum Corporation, is in its fourth year of activity in the Czech Republic. In that period, it has valued a number of Czech entities (the transit gas pipeline, the state involvement in the Lnar chateau, and so forth) by using a special methodology. What was primarily involved was to find a valuation methodology applicable to Czech entrepreneurial entities that would be maximally reflective of the current Czech environment involved in the developing capital market—in other words, the idea was to come up with the valuation relatively quickly and at relatively low cost. Employees of the FCS Forum Corporation developed the "NEAT" method and have been successfully using it for two years. It is a series of comprehensive equations, which are simultaneously solved and which implicitly determine return on capital without the need of using relevant data having to do with discount rates as they are applicable to analogous entities abroad. The above procedure has significantly speeded up computation and reduced expenses involved in solving these problems.

#### **The Dividend Variation**

In view of the fact that the capital market will be developing in the Czech Republic this year, the above firm is now making use of a so-called dividend variation of the NEAT method that better reflects the contemporary and anticipated conditions in the Czech capital market. The method makes it possible to judge possible variations of the market price of the entity under various anticipated alternatives applicable to the creation and distribution of profits and, thus, under various developmental scenarios pertaining to the firm being valued. It is therefore a suitable instrument, which, at the present time, simulates the function of the nonexistent stock market for enterprise capital. The method can be used not only for the actual determination of the market value of an entity, but even in the case of the possible adaptation of that entity to new conditions, to determine the anticipated market value of securities, in the process of evaluating options, and so forth.

This approach is particularly suitable for new owners, primarily investment corporations, that urgently need and will need to establish and monitor the market value of their portfolios on the basis of notions regarding the possible development of the market value of securities owned by them.

#### Application of the NEAT Method

In financial and investor work, the NEAT method may be applied in the following principal methods:

- It will assist directors, managers, and organs of corporations in the periodic updating of real market values of their entities, taking into account modifications in intentions and strategies of a firm as reactions to changes in external and internal conditions. Furthermore, the method is usable both for determining the initial value of a new stock issue and for time-specific transactions involving stock certificates—that is, in the process of valuating options.
- It will serve investment and privatization funds in determining the real market value of the stock certificates in their portfolios for purposes of decision-making regarding their sale, purchase, and possible variations pertaining to their valuation. An advantage is the possibility of valuating the anticipated market value of stock certificates for certain business intentions. Also, the fact that only a portion of the securities will be tradable on the stock exchange must be taken into account and that even pertaining to this portion of the securities the initial inefficiency of the capital market will be felt.
- The method can serve banks and financial institutions as an instrument to support decisionmaking regarding the risk of granting loans to realize business and investment intentions (as a certain standard gauge for determining conditions for making loans). A result of the decisionmaking is then the granting or refusal of credit and the setting of conditions under which a credit is granted—that is to say, interest rates, the extent of required guarantees, and so forth.
- The method will serve state administration organizations as a basis for comparing and valuating offers to utilize a given region, which predetermines its future prosperity. The NEAT method can be used to ascertain the rates of return on capital with respect to specific construction projects where otherwise the determination of this return would be expensive, difficult, and inaccurate.

#### \* Third Attempt at Effecting Bankruptcy Law

93CH0526A Prague EKONOM in Czech 18-24 Mar 93  
p 5

[Editorial by Eva Klvacova: "Bankruptcies for a Third Time"]

[Text] The full effectiveness of the law on bankruptcy and settlement has been deferred twice. It was said that the approved law was suitable for fair weather and developed market economies but not for an economy in transformation, and a search was instituted for a method of preventing the domino effect that threatened commercial banks and personal savings accounts and warding off social unrest. The solution adopted involved the existence of a protective time

delay and the sharing of the risks connected with bankruptcies among the commercial banks, the Bank of Consolidation, the Fund for National Property, and the enterprises. The moment of full effectivity of the law has approached for a third time.

Will an effective solution be adopted? It is difficult to say. There is not an enterprise that would not wish to make use of the institution of the protective time delay. There is not an enterprise that would not wish to have a special regime imposed upon it. And there is not an enterprise that would fail to document its innocence in terms of past debts. All will strive to have a helping hand extended to them during the period of protection. Efforts to prevent the spread of the infection of indebtedness, to not threaten hitherto healthy enterprises (if there are any), and to not create locations of regional unemployment will represent rational reasons for saving the large enterprises. Among the less rational reasons, which are, however, no less forceful, will be the real strength of the large enterprises. The government will find itself between a rock and a hard place. Assistance for existing large enterprises will make it possible to preserve social peace but will, at the same time, restrict the room available to assist small and medium-size business enterprises. It will represent a deliberate support of inefficiency. By breaking up nonfunctional holding corporations, deliberate support of inefficiency can be successfully restricted to a minimum. Judging the functionality or nonfunctionality of holding corporations will naturally become an additional opportunity for negotiation, for convincing decisionmakers of the effectiveness of preserving the existing arrangement regarding existing technological ties and of the correlation involving the influx of foreign capital.

Assistance to creditors as a result of actual bankruptcies is undoubtedly a solution that is somewhat better than the selective elimination of enterprise indebtedness. Breaking up enterprises into those that are promising and those that have no future was never of overwhelming value, and the elimination of debt, which was undertaken, was only additional proof. The cost of this move was 30 billion Czech korunas, which was swallowed up by promising enterprises that are again calling for additional financial assistance today.

Assistance that is financed from resources of the Fund for National Property after bankruptcy is declared and after the protective time-delay period has expired, a time period during which a debtor has the opportunity of settling with his creditors, undoubtedly reduces the risk impacting upon commercial banks and population savings deposits. However, the question is not being asked why the commercial banks persistently made loans to enterprises about which they had justified doubts regarding the possibility of repayment. If they had been less willing to make loans, it would have been possible to utilize resources acquired through privatization for other purposes. And there are not a few such purposes.

One argument for twice deferring the full effectivity of the law on bankruptcies and settlement was even the fact that the courts were overloaded. It is not known that there have been any substantial changes in this situation. It would seem that the overloading of the courts will be the most effective, albeit deliberately placed, barrier against the feared domino effect, and also against the longed-for anticipated effect of reviving the economy.



**\* Protection of State, Classified Documents**

93EP0215A Warsaw POLITYKA in Polish No 12,  
20 Mar 93 pp 1, 11

[Article by Marek Henzler: "Leaks: How Can We Protect State Secrets?"]

[Excerpts] No one is particularly surprised anymore at the CHICAGO NEWS printing of SB [Security Service] documents from the briefcase of "Bolek," or Jaroslaw Kaczynski's press conference revelation of the existence of secret instruction No. 0015/92 of the UOP [Office of State Protection]. This is not the first time political opponents have utilized supposedly secret documents, and it will not be the last time, either. The very fact that an opponent can compromise or blackmail people is more important to some politicians than the political and economic losses to Poland resulting from revealing various secrets. [passage omitted]

On our own Polish doorstep, although we are now in our third year of having no SB, which used to collect various secrets—it sometimes made them up—and then circulate them, there is no lack of intrigue created by their adversaries. Some of them can be considered revenge from beyond the grave against the employees and principals of the former SB, but we also have a surprising number of "leaks" by perpetrators who are representatives of the new government, especially when their positions are being threatened.

A classic example is the matter of Minister A. Macierewicz's portfolio, a case that, as the findings of Deputy Cierniewski's commission showed, was carefully prepared. Despite instructions given to the deputies about the need to maintain a state secret, after a few hours everyone in the Sejm knew who had what code name and how thick the portfolio was. The Sejm copy machines worked overtime, and by the next morning all Poland was familiar with Minister Macierewicz's list. [passage omitted]

J. Kaczynski's accusations against M. Wachowski and the UOP are too recent and well known to omit them here. In their own day, the decision the weekly paper NIE made to publish the document of agent "Cigarette Lighter" and TYGODNIK SOLIDARNOSC made to publish the report of the Cabinet Studies Department of Minister A. Macierewicz for Prime Minister Olszewski also created a sensation. A good many secrets called "operational materials" can be found in books recently published, especially *Konfidencki sa wsrod nas* [Informers Among Us] and *Lewy czerwcowy* [June Lions].

Some of these leaks can be treated as pitiful or humorous ("He who fights by the sword..."), but it turns out that not only information later used as political blackmail or a way to increase circulation leaks out of safes onto the street. With increasing frequency, there are also leaks of secrets that compromise our political and economic security, especially information about privatized companies, about

the details of changes being planned in customs regulations or the role of the Polish secret service in "Operation Desert Storm."

**Creating Risks**

[Passage omitted] In Poland, a 1982 law governs the protection of state and service secrets. The law came into being during the period of martial law. One result of it, for example, was the fact that it led to the issuance of the famous 1983 directive of the Ministry of Internal Affairs (MSW), which resulted in having signs forbidding the taking of photographs plastered on nearly all state and public installations, including street lavatories. The law declares a state secret to be any information whose revelation to unauthorized persons may jeopardize defense, security, or some other important state interest. The law lists the types of information covered by security and obliges the ministers and voivodship governors to establish additional lists and keep them up to date.

Generally speaking, a secret may be entrusted to people who are authorized to have access to it. The MSW makes the decisions. Authorization may be given to a person who is a Polish citizen, pledges to keep the secret, and performs work requiring access to the state secret. The president, the prime minister, and the speaker of the Sejm are entitled to specify the positions and functions permitting exemptions from the need to gain individual authorization.

No one in Poland today, even UOP employees, can say how many people have been authorized to have access to state secrets, but everyone knows it runs in the hundreds of thousands. The recent frequent changes in government mean that hundreds of people wander in and out of high positions, exempting them from the need to gain individual authorization—for example, by virtue of a decision of the prime minister. But people who have such authorization and even those who sign additional documents stating they will maintain public secrets often treat them as a trivial formality. TRYBUNA SLASKA stated that, during the party tribunal to remove Senator Jan Jesionek from the KPN [Confederation for an Independent Poland], people made use, for example, of statements by KPN members who had seen his MSW dossier in connection with their work on the Cierniewski commission. In a letter to ZYCIE WARSZAWY, Jacek Pajak, a former employee at the MSW studies department (from Macierewicz's time), offered his own professional help in tracking down Stalinist crimes. "About 30 percent of the notes in the MSW files concern just this period," Pajak writes.

The strangest thing is the fact that, although a person who reveals state secrets risks criminal penalties, the prosecutors' offices hardly ever have any such cases, and the cases that do wind up there, such as NIE's publication of "Cigarette Lighter's" documents, drag on for months.

**A Strong State**

The Sejm will soon receive another government draft law on safeguarding state secrets. By all accounts, it will be a good one. According to the information available, the

Council of Ministers will draw up the list of protected state secrets, and the various ministers and voivodship governors will merely present their suggestions. Everyone who deals with state secrets because of his duties or work will have to receive separate authorization. This step will eliminate the current paradoxical situation whereby people at top levels fall outside the authorization system. The individual authorization granted will include the "level of security" and the scope of information to which a given person will have access (such as, only within the realm of banking). Today general authorization is granted for access to secrets. The new law also provides for an expiration date on the authorization.

The law also specifies the conditions and principles for canceling authorizations. These decisions, which are sometimes painful because they are related to the need for job changes, will probably not be subject to appeal. Why? According to a UOP employee, because otherwise the special services would have to present the sources of their information, and, once they did, they would no longer be special services.

This is another reason that there will be procedures for the recruitment, training, and promotion of employees of the state services. There will have to be a whole system for rating candidates for positions involving access to state secrets and, later, for the counterintelligence services to oversee the employees, as happens, for example, in Great Britain, France, Germany, and Sweden.

A UOP employee emphasizes: "Democracy is democracy there, but the services controlling state security are developed to a tremendous extent. In the UOP law, we have included the detection of dangers as one of the tasks, but we actually have our hands tied because the UOP is immediately charged with conducting surveillance the way the SB used to."

There is no denying that the implementation of a procedure to rate and then monitor state employees puts great power into the hands of the MSW's services. There is no particular problem with this in countries where state institutions have been continuously growing over the centuries. How will it be in Poland? Our politicians talk a great deal about the need to strengthen the state, but, whenever a concrete draft to strengthen it appears, they mainly find it a threat to democracy and freedom.

It is not easy to find a remedy for a strong state in which civil rights are protected at the same time, especially when we cannot use countries with different traditions and histories as models (if such ideal models even exist). Nonetheless, we must be aware that a compromise is essential in this area of social and political life, too.

#### \* Minister Discusses Foreign Trade Issues

93EP0221A Warsaw ZYCIE GOSPODARCZE in  
Polish No 12, 21 Mar 93 pp 1, 4

[Interview with Andrzej Arendarski, minister of foreign economic relations, by Eugeniusz Mozejko; place and date not given: "Let Poland Be Open and Export-Oriented"]

[Text] [Mozejko] Sir, Poland's trade balance worsened in the last months of 1992. Some people attribute this phenomenon to the "import rush" before the anticipated increases of the customs fees and taxes at the end of that year. Others point out that Polish exports have ceased to be competitive. They suggest that this is a tendency that may result in a drastic devaluation of the zloty. What do you think?

[Arendarski] Both of these factors have contributed to the foreign trade outcome. Besides, I would add that import, especially of consumer goods, often increases at the end of the year. Furthermore, I would like to emphasize that the foreign trade data we have at our disposal should be evaluated cautiously because we have not yet worked out a reliable system of collecting information on foreign trade. We are still working on it. It will take about another year before this clicks in. Apart from that, foreign trade has recently been perceived as that part of the economy that does much better than the rest. I am trying to cool down those overblown expectations, not only because I do not fully trust the current statistical data (although my gut feeling is that Poland has a surplus in foreign trade after all)...

[Mozejko] Well, if we take the full year into account...

[Arendarski] I would not make generalizations about the long-term trends after only three months. The shape of foreign trade is better indicated by such data as the per capita turnover or the GNP's fraction attributable to foreign trade. Poland ranks rather low in both cases, as you know.

[Mozejko] You seem to be very skeptical about your ministry's accomplishments.

[Arendarski] These are not accomplishments or failures of my ministry because it has ceased to conduct foreign trade, thank God. We are trying only to create favorable conditions, as well as to provide a financial, legal, and organizational framework. The Ministry of Finance influences foreign trade much more than our humble office. So do the Ministry of Privatization and other state agencies. Finally, the Sejm is quite well empowered to either promote or hamper foreign trade. If you take into account that all I have to promote Polish foreign trade with is a lousy \$8 million a year, you understand.... That could be enough for some little cooperative.

[Mozejko] When you mentioned the Sejm, did you have in mind the fact that it is cutting down the promotion funds?

[Arendarski] No, I have in mind much more important issues, such as the Sejm's recent problems with passing the budget bill. If the budget bill had not been passed it would have had a very negative effect on Poland's economic relations with other countries: Foreign investors would have lost their interest, Poland's position on the various risk-ranking lists would have fallen, and other unpleasant consequences would have followed.

[Mozejko] The terms of trade are changing as well. Has Poland's association agreement with the EC influenced

foreign trade yet? We also expect the liberalization of trade within the framework of EFTA [European Free Trade Association] and CEFTA [Central European Free Trade Association].

[Arendarski] We can see that influence clearly, which is confirmed by statistics: Almost 70 percent of Poland's foreign trade is confined to the EC market and the countries of EFTA. Thus, there is no doubt that Poland's foreign trade has been refocused dramatically. This process is going to deepen even further when the provisions of the agreement with EFTA kick in. The best example of how the free trade agreement can increase the turnover is the Polish-Finnish accord, which, by the way, will soon be consumed by the EFTA agreement. Although Poland's agreements with the EC, EFTA, and CEFTA have limited scope—they do not regulate the trade of many industrial goods, let alone produce—in my opinion they create a great chance for Poland and not a threat to it, as some people say.

[Mozejko] They create chances for some branches of industry, but they constitute a threat to some enterprises.

[Arendarski] I think these agreements may be the best chance for those who oppose them the most—farmers, if they would only try to provide good-quality goods at low prices (and package them neatly, too). When they lobby aggressively to have Poland introduce import quotas today, they may be hurting their own future interests.

[Mozejko] In other words, you oppose the compensation payments, do you not?

[Arendarski] I oppose dishonest competition. I regret very much that Poland does not have an efficient apparatus to investigate the dumping practices, but I would like our country to allow as much free competition as possible, within the limits of reason, that is. For example, if we know that the Polish oil industry needs approximately four years to be restructured and privatized (even with the inclusion of foreign capital and know-how), I would accept some protectionist measures in this field, but only for those four years. This process cannot drag on forever. The same goes for compensation payments for farmers: They should neither preserve the existing structure of Polish agriculture nor force us consumers to drink expensive and bad-tasting milk.

[Mozejko] But there is no antidumping system in Poland, really.

[Arendarski] True. There is no agency that would initiate an investigation in such cases. Neither are there experienced lawyers who would conduct that investigation. Therefore, I would like to establish a nucleus of such an agency in my ministry.

[Mozejko] There are indications that Poland's trade partners have begun to protect themselves more aggressively from Polish exports, the case in point being steel recently. They respond to the fact that Poland itself is trying to limit imports, do they not?

[Arendarski] Do you have in mind the antidumping investigation in the United States?

[Mozejko] Of course, but there are cases like that within the EC as well.

[Arendarski] The U.S. restrictions are directed not only and not mainly against Polish firms. We are in good company—with the EC countries, among others. But this is not retaliation of the U.S. administration. This is the work of the U.S. steel lobby. Apart from that, the Americans consider Poland a country that does not have a market economy, a view we strongly oppose. Such an approach makes it very easy to bring up the dumping charges. In the process, they apply procedures that are very unfavorable to us. I myself have handed in an official letter on this issue to the U.S. ambassador in Poland, while the Polish companies in question have hired U.S. law firms to defend their interests. They have already won two lawsuits of this kind.

As far as the EC is concerned, we still have not fulfilled the steel export quotas they prescribed. On the one hand, we want them to open for us the market of so-called sensitive goods, such as steel and textiles. And, on the other, given the fact that the EC steel industry is in a deep crisis, it has been suggested that we limit our exports voluntarily. We do not agree with that.

[Mozejko] As a result of the U.S. limitations on steel imports, some countries have decided to bring charges against that country before GATT. Poland cannot do that because it does not have the status of a country with a market economy within GATT. When can we expect to have that status?

[Arendarski] Within the next few months. Things look good. Poland's address to GATT in January was very well received. But we can use various instruments of that organization even before a formal change of Poland's status takes place.

[Mozejko] We have been talking about trade in the conditions of a market economy. Apart from that, there are also Poland's relations with the East. What can you do, sir, to bring them out of the abyss?

[Arendarski] I would say whatever I can. Despite the geographical reorientation of Poland's foreign trade, which I consider one of the major achievements of our economic reform, I still care a lot about Poland's trade with the East. I think about the East not only as an eventual source of raw materials but also as a potential huge market. I also think about rebuilding Poland's cooperation with the former Soviet republics in terms of coproduction. A significant part of my ministry's efforts is focused exactly on that issue. The lack of any spectacular successes in that endeavor is due to the great structural differences between present-day Poland and the post-Soviet republics, their deep economic crisis, and their administrative chaos.

[Mozejko] I know about those difficulties, but I am asking what can be done to improve chances for the Polish



businessmen. Someone has come up with an idea of establishing joint banks to make account clearing easier.

[Arendarski] It is my ministry that has initiated that and similar ideas. We have led the work on establishing a joint Polish-Belarusian bank, which is near completion.

[Mozejko] It all takes an awful lot of time.

[Arendarski] It really is not our fault. If it takes them several months to designate participants in this project and another several months to find a proper location for the bank.... We are not without problems, either. For example, we do not have real export credit insurance. To be sure, there is KUKI [Corporation for Export Credit Insurance], but it is a very weak agency. People who work there are true professionals, but they do not have money. I was not able to allocate one zloty to them from this year's budget. Thus, there is this financial barrier, which hampers trade cooperation with the East. On the other hand, the information barrier has been largely overcome. The ministry and the National Chamber of Commerce, as well as private companies, publish a lot of newsletters about the Eastern markets and their economic and legal status. In addition, information about Polish goods and services offered for export is pretty good.

[Mozejko] Poland's relations with the East are affected by the problem of old debts.

[Arendarski] It is a very serious barrier indeed.

[Mozejko] Is anything happening at all in that realm?

[Arendarski] Nothing so far. A few months ago, the then Russian Prime Minister Gajdar presented his version of the so-called zero option, to which we responded with ours. Although both bear the same name, they are completely different. The Russian version includes not only past but also future Russian obligations—for example, their payments for Poland's participation in the construction of the Yamburg pipeline, which they were supposed to pay for with deliveries of natural gas until 1997. We expect a new round of talks to resume soon. I do not think that trade between Poland and the post-Soviet states can pick up until and unless the problem of that mutual debt is solved. Perhaps it will be possible to solve it in piecemeal fashion, by restructuring that debt.

[Mozejko] Let's talk now about the situation on Poland's borders—the inefficient customs control, the contraband, and the cigarettes that are brought in without an excise tax having been paid.

[Arendarski] That is true. But, on the other hand, I would not accept without criticizing the spreading of the opinion that half the cigarettes on the Polish market are smuggled in.

[Mozejko] Do you support the idea of an excise tax on cigarettes?

[Arendarski] That is actually a case for the Ministry of Finance, but I am a strong supporter of an excise tax. I do

not believe it will stop contraband entirely, but it will certainly cut it down significantly.

[Mozejko] When will one be instituted?

[Arendarski] In about six months. In any case, cigarettes and alcohol will be taxed in Poland before the end of the year.

[Mozejko] What about the customs clearance procedures?

[Arendarski] The whole Polish customs system is working poorly. There is not even one border crossing of European class. While the situation is bad on our western and southern borders, it is even worse on the eastern one. The very circumstances in which clearance takes place is an invitation to crime. Furthermore, the customs agency does not operate in the interior of Poland, although that would be the best way to combat contraband. It will, however, once the customs agency is straightened out. The previous chief of the General Customs Inspectorate was unable to fill 130 positions of that division.

[Mozejko] Due to the lack of qualified candidates?

[Arendarski] Due to the lack of both candidates and the chief's initiative. I hope the new bosses of that agency will be more successful. We will try to make customs control more effective through the implementation of the Customs Law. If the government-sponsored law that allows dropping charges in exchange for testimony, as well as sting-type operations, is passed by the parliament, it will be applied to combat contraband, too.

[Mozejko] Did the abolishment of customs agents in enterprises make the work of the border-posted agents even more difficult?

[Arendarski] That move was required by the Customs Law. Indeed, it made the work of the border-posted customs agents more difficult, but the situation that existed before 31 December could no longer be tolerated. An employee of an enterprise is not in a position to perform the customs clearance of goods exported by his company. Those agents were poorly trained, which was obvious to anyone who took a look at the SAD [expansion unknown] documents filled out by them. Hence, one has to be skeptical about the SAD-based statistics. The chief of GUC [Main Customs Office] promised to post customs agents at the major foreign trade companies and to help enterprises train employees of the new customs agency, created by law.

[Mozejko] What are the chances for improving the functioning of the SAD system? When will we reach that point, and when will the SAD statistics become reliable?

[Arendarski] Unfortunately, it is a time-consuming process. Data collected in this way will probably not be fully reliable until the end of the year. That should improve next year. The experience of countries more developed than Poland has shown that it should take three to four years to introduce the SAD system. I think Poland will complete the process sooner.

[Mozejko] What do you think about the prospects for Poland's foreign trade this year, the year when Poland's free trade agreement with EFTA will be put into force and the Central European free trade zone established? Aren't you concerned that the introduction of the VAT [value-added tax] in Poland might interfere with these processes?

[Arendarski] What concerns me in a situation when new tariffs are being introduced is the transition period. There may be problems, due to the fact that businessmen are not well informed or because the state agencies are not fully prepared. We are preparing an information package about conditions the agreements about the free trade zones will create. One can only wonder what will be the reactions of the customs officers who will have to deal with an even greater number of new documents and operations. As far as your question about the prospects of Polish foreign trade in 1993 is concerned, let me first point out that we still do not have a comprehensive vision of the economic policy, which would include the industrial and agricultural policies. I think it will be worked out this year. The MWGzZ [Ministry of Foreign Economic Cooperation] would like both the industrial and the agricultural policies to be export-oriented. The ministry has put together a team of prominent experts—scholars and businessmen alike—to make appropriate legal, financial, and tax recommendations.

[Mozejko] Are you going to advocate tax breaks for exporters?

[Arendarski] I would prefer not to discuss details right now. We have not worked out the general framework of our proposals yet, but it will certainly include a variety of instruments designed to stimulate exports, as well as measures to promote Polish business abroad. I can assure you that I am ready to do anything to transform Poland into an open, export-oriented country, and not only because I am in charge of this particular ministry. The crux of the matter is to open foreign markets to Polish products. That is the main goal of my trips abroad. Another crucial thing is to make the Polish economy more competitive, although my ministry has less to say in that regard.

It is difficult to say how these two factors will work side by side this year, but I think that not only will Poland's foreign trade grow but there will also be a surplus by the end of 1993. A pessimist would say that it will be a balanced balance.

[Mozejko] Thank you for the interview.

#### **\* Italians To Build Roads, Airport Near Lodz**

93EP0212A Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 24 Mar 93 p 1

[Article by W.M.: "AGCI for Lodz: Italians Want To Build Roads and an Airport"]

[Text] An Italian consortium, Associazione Generale Cooperative Italiane (AGCI), would like to build a highway and a cargo airport near Lodz. The idea was discussed at a meeting with Deputy Prime Minister Henryk Goryszewski on 23 March. The Italian delegation

is visiting Poland a second time; it presented its plans during its first visit to Lodz three months ago. It is anticipated that, during this visit, a letter of intent will be signed with the General Board of Public Roads, covering the construction of a highway from Gdansk to Katowice.

Gualtiero Pane, vice president of the AGCI, said, "We are a holding company that operates in various areas from agriculture to the construction of highways and the solving of communal municipal problems, so our bid is heterogeneous." The Italian consortium unites approximately 20,000 management units. During the past year, the company turnover exceeded \$14 billion. Among other things, the AGCI is building a section of the TGV railroad Lyon—Turin—Venice and investing in agricultural-food processing, and is involved in introducing so-called information on areas suitable for geodesic operations. The consortium operates not only in Italy but also in other European countries as well as in North Africa and North America.

"We are not concealing our lively interest in the AGCI plans," admitted Senator Waldemar Bohdanowicz, the governor of Lodz. He said that the company came to Lodz for a simple reason: One of the directors of the holding company married a woman from Lodz, who remembers where she came from. Thanks to Anna Autino, a group of children from children's homes in Lodz and from poor families spends splendid vacations in Italy and exotic countries. It would be very good if "safe Italian cooperative capital" were to cooperate with Polish capital. The technical-economic highway project would be the most quickly realized investment, especially for the Lodz junction. The Italians have committed themselves to developing complete plans within a half-year. It is proposed that the raw materials, machinery, and workers would be ours.

According to the Italian and Lodz plans, a cargo airport would be located approximately 40 km from the city. Bohdanowicz believes that the cargo airport at Okecie in Warsaw is not and will never be fully exploited because of the onerousness (noise). It can operate only at night; in Lasko, operations could proceed nonstop. A military fighter plane base is located there. The runway has already been renovated, at a cost of \$150 million. Discussions with military authorities have taken place; they are in favor of a cooperative enterprise. The governor did not want to speak about an airport in Modlino. But he did say that nothing is happening there. The Italian entrepreneurs informed us that they would develop the plan for the initial work in the construction of the highway and airport as well as a gas network for Lodz free of charge.

The AGCI is to organize a cattle-breeding station for high-breed cattle and a meat-processing plant in the Lodz region. It promises assistance in organizing a modern fodder industry sector and absorbing surplus fodder in Italy.

Deputy Prime Minister Goryszewski told RZECZPOSPOLITA that the basis for making operational decisions with respect to the cooperative consortium with Italy will

be the concrete offers presented by the AGCI. At this point, we can say that the Italian plans meet the interests of the region and the country.

- As we indicated recently, new credits for rebuilding the transport infrastructure were the subject under discussion by the government delegation in the EC Commission in Brussels. There we presented a construction program for highways and the modernization of the rail line Kunowice-Terespol. Two billion ECU's are required for this. In the first phase of the construction of three planned highways, more than 1.5 billion ECU's are required (exclusively for these). Representatives of the EC and other institutions see their participation in this enterprise as 50-60 percent of the cost, while Poland is seeking credits for 70-80 percent. No decision has been made. It will be made after we have done a so-called feasibility study.

#### \* Prospects for Trade With Belgium Examined

93EP0219A Warsaw RYINKI ZAGRANICZNE in Polish No 32, 16 Mar 93 p 7

[Interview with Edward Wojtulewicz, chairman of the Poland-Belgium-Luxembourg Chamber of Commerce, by Wanda Jelonkiewicz; place and date not given: "What Are Our Prospects for Trade With Belgium?"

[Text] One asset of Belgium, which it has exploited extensively in the past and is continuing to exploit at present, is its geographical location in the center of Europe. Thus, it is not surprising that this country with its small domestic market has an economy open to Europe and the world, and the Belgians are perfectly aware of the importance of exports.

Suffice it to say that more than one-half of Belgium's output is exported, and the share of exports in that country's GDP reaches 64 percent. Industries such as the metallurgical, textile, and glassmaking industries ship a substantial part of their output outside the country. Moreover, Belgium is an important transit and distribution center, through which substantial amounts of merchandise reach other EEC countries.

From Belgium, Poland mainly buys means of transportation, chemicals, foods, and textiles, and it principally sells to that country chemicals, mineral raw materials, metals, and crop products. We rank 23d on the list of Belgian customers, but only 32d on the list of suppliers of that country. Our exports to Belgium during January to September 1992 were worth 8,269 million Belgian francs, compared with 8,199 million Belgian francs in a like period in 1991, and our imports from that country were correspondingly 13,465 and 11,492 million Belgian francs.

On his recent trip to Belgium as the head of his ministry's delegation, together with a mission organized by the National Economic Chamber and the Poland-Belgium-Luxembourg Chamber of Commerce, [Foreign Economic Cooperation] Minister Andrzej Arendarski, who extended his patronage to this entire undertaking, spoke of the low level of our trade with that country, which

in 1992 totaled slightly more than \$600 million. He also emphasized that our negative balance of trade points to the need to promote Polish goods more vigorously on the Belgian market. "Was it successful?" we asked the Chairman of the Poland-Belgium-Luxembourg Chamber of Commerce, Director General of Impexmetal Edward Wojtulewicz, who headed the group of 373 Polish businessmen. The mission toured Brussels, Ghent, and Antwerp.

"At the moment it is difficult to say exactly what direct influence will be exercised by this mission on the growth of exports or mutual trade which represents all sectors of the Polish economy—private, cooperative, and state—as well as the most varied subsectors of industry, ranging from the metallurgical to the food subsectors. Many talks were held. I think that they will soon bear fruit. As is customary in business, for the time being not every one is publicizing his intentions, if only in view of the considerable competition on the Belgian and Polish markets. Both the Polish organizers and the Belgians tried hard to prepare the mission well. The meetings of businessmen thus dealt with specific subjects."

[Jelonkiewicz] How do you assess the results of our trade with Belgium and Luxembourg and prospects for cooperation? Do you agree with Minister Arendarski?

[Wojtulewicz] Considering the potential of both countries and the relatively short distance separating them—just a few hundred kilometers—as well as the relatively slight communication problem (Belgian businessmen are generally familiar with foreign languages) I can say as an expert working on that market for many years that vast opportunities indeed exist for expanding mutual trade and ties in a large number of domains. Please note the excellence of the Belgian infrastructure, especially the network of roads and highways. In that respect I remember Belgium 25 years ago, when it resembled present-day Poland. We can avail ourselves of that Belgian experience. Belgium's accomplishments in agriculture and the chemical industry can also be an inspiration to us. Furthermore, that country is a major producer of metallurgical products. It has a large number of assembly plants. It should also be borne in mind that foreign capital accounts for about two-thirds of local capital. A majority of the companies has multinational ties. That is also an example to Poland of how capital ties can be established with foreign partners. The Belgians somehow are not worried in this case about their national sovereignty.

[Jelonkiewicz] Which Belgian companies showed special interest in the visit by the group of Polish businessmen?

[Wojtulewicz] At meetings with industrialists in Flanders the steel and textile industries along with harbor services were represented. And in Brussels a broad range of industries was represented, from agriculture to heavy industries.

[Jelonkiewicz] Our situation in certain domains of trade is rather equivocal: On the one hand, the Transition Agreement with the EEC unlocks new prospects for us and abolishes trade barriers, but on the other the rising wave of

protests last year against, for example, East European steel exports, has caused West Europe to speak more loudly of quotas and antidumping duties as a way of protecting its market. There is an ambivalence here.

[Wojtulewicz] Ambivalence always exists on a market ruled by competition. But the laws of the market are inexorable. The weaker must either succumb or establish such cooperation as would serve to modernize technologies and improve competitiveness. Poland's associate status with and future membership in the EC will require Polish industry to adapt itself to international standards.

[Jelonkiewicz] Are more trade missions to Belgium being planned?

[Wojtulewicz] Yes. We have been considering this matter. Future missions will represent a narrower range of industries and, we presume, one or another particular sector, private or state.

[Jelonkiewicz] In what domains can trade with Poland be attractive to Belgium?

[Wojtulewicz] At present nearly 200 Polish-Belgian joint ventures exist. I believe that soon they will double to 400. Belgian business circles also consider this possible. Trade may cover not only chemical and metallurgical industries but also food establishments, hotel management, and tourism; the range of possibilities is broad. It should be borne in mind that the volume of foreign trade per capita in Belgium is among the highest in the world. That country derives its livelihood from middleman services, trade, and services. Over there small and medium businesses play a great role, and opportunities exist for establishing ties with their Polish counterparts. Trade should not be confined solely to large chemical or metallurgical concerns.

[Jelonkiewicz] What are the prospects for cooperation in investments with Belgium?

[Wojtulewicz] The question of the influx of big Belgian capital to Poland was considered both in the talks between Minister Arendarski and Belgian partners and in the talks in which I took part. For the time being the status of that capital is rather restrained so far as investing in Poland is concerned, because it has better and more certain investment opportunities elsewhere. A big and notorious problem is the absence of stable laws in Poland. Also lacking in this country are assurances that capital can freely flow in and out. The existing Polish-Belgian joint ventures are small and medium businesses rather than colossi. Specific negotiations are under way regarding the banking system and chemical industry, in which Belgium is fairly strong (consider the Solvay Concern, known in Poland before World War II), let alone the metal industry and hotel management.

[Jelonkiewicz] What is the potential of the Poland-Belgium-Luxembourg Chamber of Commerce of which you are the chairman?

[Wojtulewicz] Ours is one of the oldest bilateral chambers. We have been operating for more than 30 years. I believe

that the Chamber not only has a long history but also exercises a large number of useful functions at present. It makes possible the promotion of merchandise and individuals and facilitates contacts among businessmen. This is an institution which has always been apolitical, whether under the previous system of society or under the present one. We are closely cooperating with our sister Belgium-Luxembourg-Poland Chamber of Commerce. Belgians who visit Poland quite often visit us first in search of information about Polish laws and specific areas of the economy as well as for assistance in establishing contacts.

Our activities are funded by membership dues. Under the previous system of society these dues served to defray the most essential expenses, because the Chamber's statute had prohibited self-financing. Nowadays the situation has changed. Of course, the Chamber's strength rests on the strength of its members and that is why we want to turn to them this year, convene a general meeting, and outline a program of action for our Chamber. Formerly its members were mostly monopolist foreign trade agencies which alone had the right to establish contact with foreign partners. Nowadays all this is changing. The composition of the recent mission to Belgium demonstrates that many representatives of the private sector engage our services. The foreign trade agencies have their own contacts and networks. At present most of our customers are small and medium businessmen in need of contacts. They are our potential members. It is precisely to them that we can be most useful. In the future the Poland-Belgium-Luxembourg Chamber will chiefly represent the private sector, because that will be the prime mover of foreign trade.

[Jelonkiewicz] Thank you for the interview.

**\* Farmers Complain About Pace of Restructuring**  
*99EP0214A Warsaw TYGODNIK SOLIDARNOSC in Polish No 12, 19 Mar 93 p 11*

[Article by Marcin Dziurda: "Some Free Market, Some State Control"]

[Text] *Forty percent of the Polish population lives in villages, 25 percent works in farming. These are people who lost the most in the past few years. The farmers' lobby, even though its position in the Sejm is relatively strong, is not able to change the situation.*

Since the 1930's (the Depression being the turning point), most states have supported their agriculture. It is done in a variety of ways: subsidies, the introduction of minimum prices, import quotas, and so forth. The richest countries have reached the point of paying farmers for letting part of the farmland lie fallow. Why are these things happening? The reason is simple. Rich countries usually have an overproduction of food, while poor countries, often suffering from hunger, cannot afford to buy European or North American grain.

**Can We Afford the Free Market?**

No wonder agriculture is the bone of contention at GATT negotiations on free world trade. Every country would like



to sell as much as possible, while buying as little as possible. Every now and then, therefore, we have a war: a "banana" war, a "cheese" war, and many others. While protecting their agricultural producers, stronger countries put poorer countries, which cannot always afford such protection, in a difficult situation.

This is also true in the case of Poland, in which two concepts of agricultural policy are in conflict. The first, liberal, was presented most clearly in an open letter written by those who participated in the work of the Adam Smith Foundation. The liberals believe that only a free market will be able to solve the problems of Polish agriculture, and that state interventionism hinders restructurization. Farmers' parties, however, demand that the state help the country. They have managed to gain a 31-trillion-zloty [Z] subsidy from the budget toward farmers' insurance.

Other forms of support have cost the budget another Z10 trillion. They include, among other things, preferential credits and subsidies for diesel fuel. Farmers' parties have also managed to raise tariffs for some imported food (first of all, sugar) and to introduce minimum prices for bread grains and milk. They are planning further increases in tariffs for imported food and an introduction of compensatory payments for food imported to Poland, if its price is lower than the domestic one.

All of these actions create allergic reactions in liberals, who warn that overprotecting agriculture against Western competition will preserve its outdated structure and make Polish export totally unprofitable. Furthermore, the protection of our agriculture works against consumers, who will be forced to buy more expensive Polish products. The farmers' lobby defends itself by saying that we cannot have a free market in a situation in which most trade partners subsidize their agriculture. Moreover, high unemployment will escalate the free market effect—mass bankruptcies of farms—creating tragic social results.

#### **An Additional Problem—The Drought**

A significant contributor to the worsening situation of agriculture is inflation together with the related high interest on credits. Earnings from a farm come in an uneven flow—mainly in the summer and the fall. Expenses are incurred by farmers throughout the year, however. The money received in the fall for sugar beets, for example, has much lower purchasing power the following spring.

Many problems are created by the privatization of state farms, which are in a dire financial situation. Most of them have lost borrowing power. Their combined debt is Z17 trillion.

In the north and the west of Poland, where there are many state farms, few individual farmers, and a resulting low demand for land, the sale of land is very slow. On the other hand, in areas where people would like to buy land, there are no state farms. The sale of state farms in their entirety or their transformation into partnerships, which are often more rational economically, is blocked by the policy of the Ministry of Agriculture, which dogmatically propagates the idea of a family farm.

Agriculture is a sector of the economy that has the highest fluctuations in the levels of production, caused mainly by the weather. We had an example of this last year when the drought caused a drop in grain crops by 28 percent, in potatoes by 19 percent, and in hay by 31 percent. As a result of the drought, the price of grain, which had been cheap until then, rose considerably, and the profitability of husbandry drastically decreased, the reason being that, in spite of the skyrocketing prices of feed grain, the prices of slaughter animals hardly changed. Next year, with better weather, price relations may reverse. This frustrates farmers, who had gotten used to the stabilized official prices of the Polish People's Republic era.

#### **Expensive, More Expensive**

It is obvious that the average Polish farm is too small to bring the owner an adequate income. We need only compare its size with the average area of a farm in Denmark (30 hectares), or one in Great Britain (68 hectares). Furthermore, following the introduction of a free market, the price increases for the means of production were much more rapid than the increases in food prices. Here is an example: [see Table 1]

The unfavorable proportions are even sharper if we examine how many liters of diesel fuel could be bought for a quintal of wheat and a kilogram of pig for slaughter. [see Table 2]

#### **The Possible Versus the Inevitable**

It is obvious that the restructurization of agriculture is inevitable. Its backwardness is an obstacle to Poland's joining a united Europe that is the most difficult to remove. It is also quite clear that the situation in agriculture depends on the conditions in the economy as a whole. If inflation goes down, credits will be cheaper. If people's incomes go up, food demand will increase. If unemployment drops, there will be jobs for bankrupt farm owners.

It has to be remembered that a quick restructurization of agriculture, more beneficial in the long run, may currently put many farmer families in a tragic situation. On the other hand, changes that are too slow will have to be paid for in the future. There is only one solution: as much of the free market as possible, and as little of state interventionism as inevitable. Perhaps it will work.

**Table 1**

	1988	1991	1993
Diesel fuel—Z per liter	50	2,800	6,800
Price increase (taking the 1988 price as 100%)	100	5,600	13,600
Wheat—Z per quintal	4,600	85,000	250,000

Table 1 (Continued)

Price increase (taking the 1988 price as 100%)	100	1,850	5,430
Slaughter pigs—Z per kilogram	310	10,700	13,500
Price increase (taking the 1988 price as 100%)	100	3,450	4,360

Table 2

	1988	1991	1993
Price equivalent of 1 quintal of wheat, expressed in the price of diesel fuel	92 liters	30 liters	37 liters
Price equivalent of 1 kg of slaughter pig, expressed in the price of diesel fuel	6 liters	3.8 liters	2 liters

**\* Balcerowicz on Farming in Light of Economic Reform**

93EP0212B Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 19 Mar 93 p 1

[Article by Edmund Szot: "Leszek Balcerowicz on Polish Agriculture: The Whole Organism Must Be Healthy"]

[Text] Assistant professorships and doctorates were granted to 33 persons in the Main School of Rural Economy in Warsaw. On that occasion, Prof. Leszek Balcerowicz delivered a lecture that was greeted by great applause: "The Village and Agriculture and the Market Economy." Here we present the main ideas in this lecture.

A number of mistakes are being made in evaluating the economy; some of these are of a general nature, while others pertain only to agriculture. An example of such mistakes is the conviction that what has had wide acceptance in other countries must be good and that every more recent solution is better than an earlier solution. If the first statement were true, we might learn from the mistakes of others; the second statement derives from a linear conception of history, which may be verified in exact sciences but not in social reality. An example is the blind alley that socialist countries followed.

Also a delusion is believing in the need to intervene in a market economy when not everything in it follows the pattern of the model. Overcoming a deficiency may cost us more than the deficiency itself. An example is the interventionism spiral that was turned on in Latin America.

Another mistake is thinking of the country as something that will solve every problem for us. The country should be treated as a limited resource that must be used very sparingly: for establishing laws, for guarding the value of money, for providing services the market cannot supply.

With respect to agriculture, the mistake is based on the supposed need for special treatment of this segment of the economy because it produces exceptional goods, or food, which is identified with life. But also necessary for life are the goods produced by textile workers, the work of masons, the services provided by doctors...and there is no way that each of these professions can be treated as an exception. Also, the postulate of equality of incomes of the agricultural and nonagricultural population has no logical basis. It postulates equality of situation while it should ensure

equality of opportunity. Moreover, this postulate could be extended to almost every profession. We must therefore combat poverty, not treat farmers in a special way.

In agriculture, there are several truths that can be accepted as so-called constants over which we have no influence. One of these truths is the fact that, when income of a community increases, it spends less on food. This is termed a reduction in the income elasticity of demand. It does not mean that rich communities eat less, but that the proportion of their expenditures on food is less than in poor communities. The consequence of this is that the share of agriculture diminishes in a growing economy.

In agriculture there is the so-called perfect competition, which means that no farmer has an influence on prices, and each supplies a standard product. In Polish agriculture, the situation is different because it is, to a large degree, a monopoly. What is needed here, therefore, is deconcentration and the organizing of farmers into cooperatives, which would make it possible for them to get a part of the profits.

From the experience of other countries as well as that of Poland, it is evident that the market served agriculture well, as is indicated by its dynamic development in the 19th century in Great Britain and Denmark, and in Greater Poland when Father Wawrzyniak was active there. Progress was made with no intervention of any kind and with a large degree of self-organization of the farmers. In the 20th century, an example of the positive effect of the market is the renunciation of the idea of communes by Chinese agriculture. Similarly advantageous was limiting state interventionism in New Zealand and Australia.

A contrary example is the fate of agriculture in socialist countries. The abolition of private property was the cause of the economic disaster for that part of the economy. In the end, the effectiveness of expenditures here was dramatically low.

In developing countries, agriculture was discriminated against. An example of such discrimination are the Latin American countries, where, instead of subsidies, large taxes were imposed. In developed countries, as a result of government interventionism, there was overproduction of food and a decrease in profit, which in turn required applying great additional subsidies for agricultural export.

Does this mean that the state should play no role in agriculture? The answer is no. But we must remember that

the situation of every sector of the economy depends on the quality of the general economic policy and, only after that, on subsidiary actions with respect to that sector. Moreover, state intervention must not disturb market mechanisms, and the primary need of farmers is a stable framework for making long-term decisions or monetary stability. The state should conduct a policy not so much with respect to agriculture as with respect to the village where agriculture is only a fragment. It should eliminate the inequality of opportunity between village and city populations, increase the ability of farms to produce at lesser costs, create conditions for farmers to move to nonagricultural occupations, open new outlets for Polish products, and protect Polish farmers from unfair foreign competition.

We will not reach these goals without the cooperation of agricultural organizations. But they must decide: Do they want to follow the road of Father Wawrzyniak or the road of demands? Along the second road, they will have a Pyrrhic victory, and the country will suffer disaster.

**\* Major Points of New Construction Law Outlined**  
93EP0212C Warsaw RZECZPOSPOLITA  
(ECONOMY AND MARKET supplement) in Polish  
23 Mar 93 p III

[Article by Ewa Zychowicz: "New Construction Law: Private Is Equal to State"]

[Text] On Saturday, the Sejm adopted a new construction law, on which the construction department had worked for several years. According to its authors, the law introduces legal regulations compatible with the regulations of a market economy in the area of planning and construction as well as in the maintenance and demolition of buildings. It puts all who participate in the process of construction on an equal footing with respect to law and responsibility, without regard for the economic sector, and makes it possible for organs inspecting and supervising construction to operate effectively.

The new law simplifies the process of obtaining construction permits but, at the same time, increases the requirements with respect to those who do the work. A condition for obtaining construction permits for planning or directing construction work is passing an examination before a commission appointed by the governor.

The administrative procedure for the investment process is simplified. Only the conditions for building on and managing land will need to be established. Once that is done, the investor will get permission to build. The author of the building plan will accept full responsibility for its quality.

In the new construction law, a principle has been formulated that everything built without the required permit will be subject to compulsory demolition. Only buildings in which the state organ for construction supervision has not found any irregularity for five years will be exempt from this.

Ryszard Jajszczyk, director of the Office of the Inspection Association of Housing Cooperatives of the Polish Republic, asked by RZECZPOSPOLITA to evaluate the significance of this law for everyday inspections operations, replied that its character is primarily regulatory. It governs certain decisionmaking procedures pertaining to the construction process, and, from this point of view, it is significant primarily for the professionals involved, simply making their life easier. He believes, however, that the most important feature for investors is the still unresolved problem of getting financing or obtaining reimbursable credit for construction; lacking this, the best legal regulations will have no possibility of being applied.

Ryszard Polujanski, president of the board of the Corporation of Construction Entrepreneurs, in turn told RZECZPOSPOLITA that the new construction law constitutes the realization of postulates that representatives of that sphere have been promoting for many years. The primary concern here is to recognize private construction companies as being participants of the construction process on an equal footing with state investors.

The new law explicitly defines the responsibilities of both owners and managers as well as construction inspectors. Up to this point, ad hoc solutions were applied of necessity that ensured operation consistent with regulations binding in other sectors of the economy.

**\* Illegal Amphetamine Production, Smuggling Increase**

93EP0208A Poznan WPROST in Polish 7 Mar 93  
pp 34-35

[Article by Miroslaw Cielemecki: "Conduit: Doctor of Chemistry, Jagellonian University, Accused of Organizing Amphetamine Production"]

[Text] For a long time, members of the drug underground in Germany and the Netherlands practically had a monopoly over amphetamine, a dangerous narcotic obtained by chemical synthesis. Several years ago, Poland also joined the circle of the largest producers. Amphetamine is smuggled out of Poland through Szczecin and Swinoujscie to Sweden.

Between January and November 1992, the border guard confiscated approximately 12 kg of amphetamine, 0.6 kg of cocaine, and 70 grams of marijuana. Custom officials also recorded successes within the country, and the police arrested several dozen people suspected of producing and smuggling drugs.

Considering the scale of the development, the main problem is the production of Polish varieties of heroin and morphine.

In general, production takes place under primitive conditions in "laboratories" improvised in homes or farm buildings.

In July, 1991, Krakow police caught five drug addicts in the act of producing "hera." Two liters of prepared "com-pote" were found at the production site. In November



1992, following an "operational determination," a similar production site was liquidated in Lublin. In turn, a laboratory discovered in September 1992 in Wroclaw turned out to be a not altogether poorly organized small factory operated by two partners.

A whole warehouse of poppy straw, 93 50-kg bags, was found in the Czeszochowa Voivodship. The pigsty of a village farm was the hiding place. Following the thread to its skein, the police also came upon the place where the "compote" was produced. There they found approximately 20 liters of the finished product.

The battle with the drug producers begins with the phase of locating poppy cultivation; even air reconnaissance may be used for this. During the past summer, approximately 150 plots with illegal crops were "spotted" in the Czeszochowa Voivodship in this way. A similar "aerial inspection" led to liquidation of as many as 237 crops in Krosno Voivodship.

Amphetamine, unlike "compote," is produced in Poland mainly for foreign users.

Polish producers have already managed to become famous among Western addicts.

In May 1991, officials of the Krakow Office of State Protection discovered an amphetamine production site in the garage of a single-family house in Tuszyn that was among the cleanest in Europe. Nothing strange—the producer had good qualifications because he was a 41-year-old doctor of chemistry from Jagiellonian University. Three accomplices were arrested with him. The case against them is continuing in the Piotrkowo Court.

In January 1992, officials of the so-called black brigade found 0.75 kg of amphetamine literally 10 minutes before the ferry Fennostar sailed for Sweden. Two Polish TIR [Transport International Routier (International Transport of Goods by Road)] drivers hid it in a car registered in Sweden. At about the same time, the Swedes arrested two other Poles attempting to bring 1.2 kg of this drug into Scandinavia. Setbacks slow the activity of smugglers for only a short time. In October 1992, officials of the border guard at the ferry base in Swinoujscie noticed two Swedes behaving nervously. A search of their vehicle disclosed 0.3 kg of amphetamine.

Polish law provides penalties only for producing, distributing, and illegally transporting drugs across the boundary. Possession itself is not subject to penalty. For this reason, only a small proportion of cases connected with finding drugs ends in court verdicts.

On 28 February 1992, the Szczecin border guard stopped Adam S., known under the pseudonym "the Wild One," in a train on the Szczecin-Warsaw line.

A.S. is recognized by the Polish, German, and Swedish police as a "shark" in the international drug trade.

He travels throughout Europe using false passports and is on wanted signs in Sweden and Germany. He is suspected of contacts with the Italian Mafia. This time, disaster seemed inevitable because the globetrotter had a suitcase full of amphetamine. But "the Wild One" explained to the judge that he had found the suitcase in a basket in the courtyard and wanted to take it to Warsaw to report the "find." The court believed this explanation and...freed the smuggler.

Those that followed had less luck. The border guard organized a joint campaign with the German police. Events were managed in such a way that the couriers were found with the goods on German territory, where possession of drugs is punishable. The GSG-9 [Border Protection Group-9] commandos arrested the Polish smugglers at Sellin on Rugen.

In the course of a year, approximately 6,000 tons of opium (most of which is processed into heroin) and almost 1,500 tons of cocaine is produced worldwide. A greater problem than production in the almost inaccessible regions of Asia, the Middle East, and South America is the smuggling of drugs to the consumers in Western Europe and North America. International gangs never tire of finding new smuggling routes, and recently their interest has clearly been directed toward the countries of Western Europe.

Everything points to the fact that Poland is also becoming a drug transit country.

On 13 June 1992, in a train from Gorzow Wielkopolski to Germany, inspectors of the border guard found several folio bags with white powder in a so-called ceiling hiding place. They weighed almost 4 kg. The powder was heroin. Specialists said that it was the biggest load of heroin found thus far in Western Europe. Two German citizens are suspected of trying to smuggle it.

On 21 July 1992, a 33-year-old Australian who came to Poland through Bangkok, was arrested in Warsaw. He became unconscious at Okecie Airport. When he was brought to the hospital and X-rayed, foreign bodies were found in the patient's rectum. These were doses of heroin packed in condoms, a total of a quarter kilogram. The packaging leaked and the drug entered the organism.

Smugglers also suffered a serious setback when the police found 40 kg of cocaine worth a million dollars hidden in a Panamanian vessel being repaired in Gdynia.

On 5 May 1992, a shipment of boots imported from Peru arrived at the Okecie Airport cargo base. The cargo was transferred in Moscow, and, during that operation, Russian customs officials found 4 kg of cocaine in the footwear. Some of the drug remained in Moscow, and the rest was sent to the addressee, but under discreet surveillance. The recipients were arrested at Okecie; one of them had dual citizenship—Polish and German. Those who conducted the surveillance assume that this was an attempt by the Latino cocaine cartels to organize a new smuggling conduit into Western Europe through Poland.

**Corruption Endemic, Economic Collapse Seen***93P20133A Bucharest EUROPA in Romanian  
13-20 Apr 93 pp 1,5*

[Article by Ilie Neacsu: "Should We Import Some Italian Judges?"]

[Excerpt] A political earthquake recently shook up Italy. Aftershocks continue to be felt not only there but throughout the capitalist world. Thousands of politicians of all political stripes—from red to green—are under investigation for breaking the law. Highly prominent individuals in the Italian Government have been charged with taking bribes, with having committed fraud, or with having ties to the Mafia. [passage omitted]

I can't prove this, but something leads me to believe that Italy is not by any means the only developed capitalist country where corruption has struck at the highest political and economic levels. Serious signs of corruption have been in evidence also in Japan, France, Germany, and Great Britain. There, however, the dirty laundry is being washed with a special detergent that doesn't reek quite so much and the washing is being done behind closed doors; those in charge of it all are much more clever.

But let's leave them alone, all those people who are discrediting capitalism as a social order, and instead take a look and see how things stand in our country. Here we find that an incredible amount of corruption reigns and that the revolutionary spirit evident after December 1989 has brought about the country's general economic collapse, increased criminal activity, a lower standard of living for honest people, a marginalization of our country's basic values, the sale of our land and of our cultural heritage to foreign interests, etc., etc.

In every developed capitalist country in the world—and these are the models we should use for purposes of comparison, right?—the likes of Petre Roman and Adrian Severin would be in jail for having destroyed the country's economy. In any other country in the world, a psychopath like Gelu Voican Voiculescu would be living in an insane asylum or a whorehouse; by no stretch of the imagination would he be deputy prime minister or a diplomat—and I'm not even going to harp on the fact that this kike-loving scoundrel is responsible for the creation of the famous intelligence outfit "0215" whose purpose was to defend those impostors in the Petre Newlander Roman [as published] clique.

Nowhere else in the world can a rabbi-chameleon [Moses Rosen] be allowed to get away with insulting a country's native inhabitants and its key historical and cultural figures without proper punishment. But in this country, this is possible. And not only that, he [Rosen] is erecting anti-Romanian monuments in the center of Bucharest. His occasional meetings with the "number one" resident of Cotroceni [Ion Iliescu] prove that the rabbi is not acting entirely on his own.

In Italy, all those responsible for funding political parties through illegal means are under investigation. But in our

country, those elephants from the PNT-cd [National Peasant Christian Democratic Party], those "elitists" from the PAC [Civic Alliance Party], and those Dinu Patriciu liberals without a party simply do what they please.

Nowhere else in the world does privatization mean selling a nation's industry for a mere pittance. But everything is up for sale in our country. Thanks to corrupt politicians and businessmen, billions of dollars are being transferred from the Romanian state into the greedy hands of foreigners.

Nowhere else in the world does it happen that a prime minister—Theodor Stolojan—is unable to make a decision without first running off like a coward to America, and then institutionalizing the requirement that every newsstand have a licensing annex attached to it, which costs 400,000 lei, so that such a unit—which as a matter of fact is a necessity—may be imported from the United States or Israel through his [Stolojan's] son's firm.

In no nation of laws around the world is it the case that vandals, thieves, and criminals are at large. Except in our country. Those Hungarians who murdered Romanian officers in Transylvania are free; also free are those people who attacked policemen and gendarmes and who set fire to Bucharest Police Headquarters and to the the Romanian Radiotelevision building during 13-15 June 1990.

Nowhere in the world are there political parties established on the basis of ethnic origin. But we have the UDMR [Democratic Union of Hungarians in Romania], an organization that is financed and orchestrated by Budapest.

Every self-respecting nation tries to establish a firm industrial base and take care of its people. Except our country. Sold to foreigners for a mere pittance were ships, planes, trains, hotels, plots of land, forests, and stores; our researchers are being advised to leave the country by that clique of kikes around Petre Roman.

In no other country in the world does the media undermine the nation's basic values, attack the nation's very soul, and promote chaos. Except in our country. Examples of this abound, ranging from television and radio programs to that sewer of the press EVENIMENTUL ZILEI.

Nowhere in the world do labor unions get involved in politics. But our unions—some of them, or, to be more exact, some of their corrupt leaders—are primarily concerned with politics. Our labor union elites constitute a veritable avantgard of our political parties.

There's lots more to say on the subject. But who is willing to listen in our country, when corruption comes from the very top and has come to encompass all levels so as to make it impossible to eradicate?

What do our judges have to say? Are we going to have to import Italian judges?

## **Tudor's Trial Ends, Found Not Guilty**

93P20137B

[Article signed "ROMANIA MARE": "A Verdict in the Political Trial at Ploiesti: Corneliu Vadim Tudor Is Not Guilty!"]

[Editorial Report] Bucharest ROMANIA MARE in Romanian on 16 April on page 1 reports that on 12 April 1993 "one of the longest trials in Romania's political history came to an end" with the acquittal of Corneliu Vadim Tudor, PRM [Romania Mare Party] president and Senate member.

The article, signed "ROMANIA MARE," notes that the trial began in December 1990, when Gheorghe Robu, then general prosecutor, sued Tudor, then a "journalist," asking for "moral damages" in the amount of 3 million lei. Without mentioning the exact nature of the charges brought against Tudor, the article claims that Robu's initiation of legal proceedings against Tudor constituted a "serious abuse of power" and was motivated by revenge: Tudor allegedly had "dared" to "unmask" Robu's "immoral behavior" and had called for Robu's resignation.

The article goes on to give the names of other individuals who had acted as plaintiffs at various junctures: prosecutors Nicolae Uca and Ion Marculescu, Robu's first wife Smaranda Giurumescu, and Robu's second wife Constanta

Robu. It is then stated that the first two plaintiffs dropped their charges—which the article does not specify—when they realized "how absurd it was to file charges based on the Socialist Press Law of 1974." According to the article, Smaranda Giurumescu, whom Robu had allegedly "terrorized for years," was allegedly pressured by her husband to file charges—whose nature the article also fails to specify. But her case against Tudor failed.

The article states that the two remaining plaintiffs, Robu and his second wife Constanta, resorted to "bribery, blackmail, and threats" to further their ends, but to no avail. The trial finally came to an end when the verdict of not guilty was announced by Presiding Judge Sergiu Tudorache—who had been assisted by Elena Zainescu, judge, and Valeriu Stanca, prosecutor.

According to the article, in addition to declaring Tudor not guilty, the court ordered the plaintiff Gheorghe Robu to pay all trial costs. The article does not mention, however, whether Robu plans to appeal this part of the verdict.

The article's final paragraph has the comment that Tudor's victory demonstrates that "justice is not dead in Romania, on the contrary" and ends with the more general remark that "sooner or later, all those scoundrels who have brought this country to ruin over the past three years will disappear from the scene in shame and with their tails between their legs."

### \* Exchange of Views on Slovak Foreign Policy

93CH0487A Bratislava SLOBODNY PIATOK in Slovak  
12 Mar 93 p 4

[Excerpts from a roundtable discussion on Slovak foreign policy broadcast by Radio Free Europe on 28 February 1993 and edited by SLOBODNY PIATOK: "The Coordinates of Inevitability"]

[Text] Besides the economic problems, one of the most important problems surrounding the not quite two-month old Slovak Republic is its foreign policy orientation. Radio Free Europe broadcast an interesting debate on this theme on 28 February of this year. The guests of the roundtable discussion were Jozef Moravcik, an adviser to V. Meciar; the last minister of foreign affairs of the CSFR, Pavol Kanis; the vice chairman of the SDL [Party of the Democratic Left] and vice chairman of the foreign affairs committee of the NR SR [National Council of the Slovak Republic], Emil Komarik; the vice chairman of the KDH [Christian Democratic Movement]; and Frantisek Sebej, the former chairman of the foreign affairs committee of the FZ [Federal Assembly] of the CSFR, likewise former vice chairman of the Parliamentary Assembly of the Council of Europe and today president of the society for Macroeconomic and Social Analysis and a founding member of the Conservative Democrats' Party. The discussion was moderated by editors Stefan Hrib and Daniel Butora, whom we thank for the record of the meeting they provided. We are printing selections from it here after editorial modifications.

[Hrib] Today, the Slovak Republic is facing the question of whether it should orient itself toward the North Atlantic Treaty Organization. Should the Slovak Republic, in your opinion, send positive signals to NATO, and what disadvantages could result from its doing so?

[Moravcik] I am convinced that there is no other alternative than inclusion in the European security structures because only in this way is it possible to preserve the basic values on which a modern society should be built and which we also want.

[Sebej] I ran into the idea of an orientation toward NATO while I was still in the Federal Assembly of the former Czechoslovakia, and I tried and was finally successful in having Czechoslovakia become an associate member in the North Atlantic Assembly, which is the parliamentary dimension of the North Atlantic Treaty.

For years, the illusion has reigned here that there are two political groupings that represent some kind of balance between two different, but in principle equal, views of the world. I have always seen it as the truth being only on the one side and that there is no balance here, that NATO is a structure that originated to protect the basic values—that is, human rights, freedom, and democracy. And I want to emphasize that the division of Czechoslovakia does not improve our chances. We were the citizens of a state that had a direct border with the NATO countries. Now we are not. This moves us quite a way from the North Atlantic Assembly and lowers the probability of the rapid internal

development of Slovakia in a direction that would be politically and economically compatible with the countries that form the North Atlantic Treaty. But I agree with Mr. Moravcik that there is no alternative.

[Kanis] I see two dimensions to this problem. In the first place, I think there is no political entity on the Slovak political scene that would not declare an interest in joining the structures of the North Atlantic Treaty. On the other hand, an actual, realistic solution is not determined by just our desires but, in particular, by our geopolitical position. We are part of a group of countries that are moving between the structures of the North Atlantic Treaty and the eastern nuclear powers. So, in essence, the resolution of relations between the eastern nuclear powers and the North Atlantic Treaty also determines our realistic, actual possibilities for resolving this problem. Obviously, this is a matter of quite a long transition period and quite a long period of an unsettled area between the nuclear powers and the NATO structures, and, in my opinion, it is necessary to give special attention to getting control of the problem.

And then the question also comes up whether the North Atlantic Treaty wants to be a direct neighbor of the eastern nuclear powers. It is a delicate question when we look also at Yeltsin's statements, which speak of the fact that Russia has already accommodated enough on the resolution of the security situation by having withdrawn its military contingent from Eastern Europe and supported the unification of Germany and the destruction of nuclear weapons and that it has no interest in creating any kind of blocs, especially not some kind of bloc formed to its west, just because it would be a certain way to make its position worse.

[Komarik] The question of declaring the Slovak desire or willingness to join NATO has two aspects from the international viewpoint. The first is that a new state is always an uncertain unit, and the international society is waiting to see whether Slovakia joins up with Europe and with the hopes that democratic developments in Europe continue or whether it takes sides with the hope that some kind of empire is restored in the East. The world is afraid that there are quite strong political groupings here that are basing their policies on the hopes that the East European power structures will be restored. From that standpoint, our declaration of a relationship to NATO is very important.

The second matter is whether NATO is able and willing to expand its operations into the Central European region, as well. If so, it is obvious that in no case can we become members of NATO without Hungary and Poland, nor can they without us. It is another matter that we do not know in what way relations between Russia and NATO will develop. It is possible that whatever kind of tensions already exist will be resolved and we will become simply an uninteresting link somewhere in the middle of Europe, and, if we should say we want to have nothing to do with NATO, we would appear quite laughable. Again, however, we must take into consideration the fact that, whoever resolves this relationship, we are dependent on Russia for our economy and our energy supplies, and we cannot totally ignore the attitudes of our neighbors.



[Moravcik] It would probably not be correct if we considered these basic questions in connection with our trade relationships. We can, after all, develop trade relationships as well when we have in some manner resolved the question of joining the security structures of Europe. I discussed the question of future possible membership in the Western European Union and, finally, even at NATO in Brussels, and it was always emphasized to me—and I think this is proper—that it very closely depends on the method by which this entire territory, including Slovakia, is incorporated into other structures because the security structure is never something isolated. Europe considers as a basis just this growing into the economic structure.

[Sebej] I agree with Mr. Moravcik that the most natural method for a security and political connection between countries arises in essence from the situation where those countries form one actual entity with free movement of economic forces—that is, people, goods, money, thoughts, and everything else.

We therefore cannot fail to be dissatisfied with the steps the present government is taking. It is doing everything it can to split this area off. There are, after all, institutions that were created in order to form a balanced internal environment between the individual states. This includes the International Monetary Fund. The recommendations of the IMF serve a single purpose: that the monetary system of a country meets certain criteria, which then make possible the free flow of money, goods, and people. I really cannot imagine that it would be possible for Slovakia to get more closely attached to some security structures and, at the same time, sabotage its economic transformation and simply prevent the creation of a compatible internal environment.

[Butora] In what way should Slovak policies be formed as regards the eastern nuclear powers, particularly as regards Ukraine and Russia?

[Kanis] There is no need to get the notion that we can be some kind of bridge, but, if we do not have a functioning economy here, if this country has international conflicts and problems, it will become an inaccessible footbridge, and those who want to make use of the Central European area as well for their relations with the East can go around us. When all is said and done, the main strategic routes go around Slovakia. One of them in essence goes through Warsaw, and the other goes in the southern direction, which shows up in the fact that the Hungarians succeeded in acquiring foreign capital for the construction of a superhighway to Ukraine. We should not have any illusions that we are the only ones who can be the middleman for contacts with the East.

Matters in the East are politically still open, and the nature of the regimes in the East will be dependent on the results of the first free parliamentary elections in Ukraine and Russia. Only they will present a clear picture of the composition of the political spectrum, which likewise will determine the broader interest of Ukraine and Russia also.

[Komarik] We often are somehow not aware that Russia is not our neighbor and, as the Russian politicians point out,

the foreign policy of Russia has two horizons—one that reaches to the Atlantic Ocean and another that goes from Ukraine through Kazakhstan. Russia is primarily interested in relations with countries of the former Soviet Union and what could happen in connection with the Russian minorities in Ukraine if there is a conflict between Russian and Ukraine. In what position would Slovakia find itself?

[Moravcik] We should look for cooperation and involve ourselves in the systems of collective security.

[Sebej] I have serious doubts about the possibilities of the CSCE's actually resolving some bloody armed conflict. Even if the proposed principle of a consensus less one were accepted, it would be almost impossible to achieve. I would be happy if these mechanisms began to function at least in the case of such a threatening conflict as the one between Ukraine and Russia could be, but I am skeptical about this.

[Hrib] Let us try to say, in conclusion, what it will mean for Slovakia if we succeed in getting ourselves included in the Western security structures and what it will mean if we fail to do so.

[Moravcik] Success will mean, I would say, prosperity of the European type. And, if we do not succeed, I would rather not speak of the consequences.

[Komarik] I would turn that around. If we succeed in creating European-type prosperity, we will have an open path into the European structures, and, if we are going to experiment continuously on ourselves and look for some third, fourth, or fifth path as a way to make easier what we really have to deal with, we will not succeed.

[Sebej] For me, the only acceptable three goals of politics are, first, freedom of movement and economic activities for all citizens as individuals (not institutions, not the state, not the people). Second, their security, which means the foreign policy and domestic political steps that lead to the maximum possible degree of protection for their health, lives, property, families, and everything. And third, such political steps as lead to the protection of their economic interests, to what causes prosperity. Thus, if we succeed, we will have them, and if we do not succeed, all three of these dimensions of our life will be threatened.

[Kanis] In Slovak foreign policy, all entities must—and the most responsible most of all—clarify what the opportunities of a small state are. From this being a small state, it follows that it must be very wise and very decent.

#### \* Dissatisfaction With Current Politics Analyzed

93CH0507A Bratislava NOVE SLOVO BEZ  
RESPEKTU in Slovak 22 Mar 93 pp 8-9

[Article by Gabriela Rothmeyerove: "Why Are We Living So Joylessly?"]

[Text] *We so yearned for the words to be one with the truth, and here you have it: Here it is already! Our present life is indeed hard, as we were "promised."*

But why are we taking this foretold state of affairs so hard? Why is our life so bleak? And why is the present government tottering so unbelievably under the burden it must have after all anticipated? It won the election convincingly, to be sure. In theory, it should therefore be enjoying great support.

Well, yes, it did win the election convincingly—but far behind those who did not succeed in absolute numbers. And so, in the election, it is not the result of 38 percent that is decisive. Much more interesting are the 62 percent against. That 62 percent has to be interpreted. That 62 percent against does not mean only the opposition in the parliament. It represents, above all, a very strong intellectual stratum of Slovak society—perhaps the decisive one; it represents the entire government structure from the two-year period, which now finds itself out of political action. It happened too fast. It is still too fresh, not fully exhausted.

After the first free election, there was only 13-percent opposition to the victors in the parliament and no extra-parliamentary intellectual force. The KSC [Communist Party of Czechoslovakia] had breathed its last, and the victors were trying in vain to make it into a bogeyman. Not even small children were afraid of it—but then, even if someone felt like it, he would not have had the courage to sabotage the new government unless he wanted to commit suicide. However, the situation is totally different now after the second free election.

Meciar's victory looks like a Pyrrhic victory to me. As if those who were setting it up for him with their attacks and blows below the belt wanted to punish him. Here, take what you wanted, and now show us what you can do! And we, in turn, will show the whole world that you are naked!

At the same time, the two-year government is not altogether without blame for today's situation. In its allocated time, it ignored the preparations of the Czech side for a real partition of the Republic. Simply, it refused to take them seriously. When the catastrophic scenario surfaced in the Czech National Council (and today we already know that paper money was ready to be stamped as early as the fall of 1991), it shouted down those who were calling attention to this unusual phenomenon and who drew from it the only possible conclusion. On the contrary, it allowed that it was all right for the partner to be getting ready for an eventuality signaled by the Slovak "separatists." (How many of them were there, and what instruments did they have in their hands?) It did not see anything strange or unnatural in it. We are now suffering and will continue to suffer the consequences.

It is proper to ask: Was it possible under such circumstances to preserve a Czecho-Slovakia composed of two republics with equal rights? That, unfortunately, could not be decided by the smaller and much weaker republic. The smaller and weaker one could only agree to accepting the dictate: a common state, but one like this! Careful, though—this was not dictated by the Czech Republic. This was dictated by the party with an altogether different

composition than the victorious Slovak movement. Different intellectually as well as materially. Behind the victorious Czech party is self-confidence, resting on the sediment of money. And today's world belongs to those who can offer wealth. The well-known U.S. political scientist Toffler expressed it precisely: Today power cannot be measured as in the past—according to the amount of territory it controls. Important and decisive is the quality of power. The more you can offer, the better quality of power you wield. The richer you are, the better and more persuasively you can govern. What quality is represented by the victorious Czech party? The lowest unemployment rate in Europe. A hard Czech koruna. German capital. The certainty that the demarcation line will shift not only from Berlin to the Czech border. Membership in the rich and stable Western world. Peace—no smoldering southern border. Wealth for those who wish to be wealthy. Without any unnecessary talk about solidarity, and so forth. (God knows how this is accepted by the one who at one time had such grandiose plans for the soul....)

Not by chance does Vaclav Klaus and his melody boys go about dressed as models of a conservative British politician. They are not merely demonstrating that they can afford it; they really can afford it. It derives from their roots. Praguers will whisper into your ear who those Klausists are: They are Prague 7, people with "good addresses," figuratively speaking. (One of those politicians who today are occupied only with business told me that already in 1988 or the beginning of 1989 he lost his taste for work. He devoted himself to literature, plastic arts, some sport, and his uncommonly beautiful garden, with gazebos, busts, and statues under spreading trees. And how could he afford it, to just stay at home, I wondered. "Money was no problem," he waved his arm nonchalantly, "our family was always well off." I am not recalling this small episode out of envy—only in order to place it like a small stone into the mosaic of the victorious Czech party's portrait.) They prepared themselves for their victory skillfully and professionally.

What did the Slovak intellectuals, who at that time ruled in Slovakia and over Slovakia from Prague, do? They carried on a dirty and quite amateurish fight with Vladimir Meciar. Did it benefit Slovakia? Was it the right thing to do?

Slovakia has been weakened by the division. It has been weakened not just economically. It has also lost the opportunity to nourish from a nearby source its spiritual bloodstream, outlook, and self-confidence in a cultured, historically recognized country. It lost the opportunity to gradually rid itself of its provincialism (provincialism for which it was not responsible). All that was lost to Slovakia.

But—wouldn't Slovakia have become lost (as an entity) in a unitary state? Maybe some people do not care about that. Well, then neither does it matter whether it belonged to the Eastern bloc, whether an Eastern ruler or one from the south cracked his whip over its head. For man as homo sapiens, that is not an empty value: who he is and why he is precisely who he is, what made him the way he is. There

are layers of centuries behind that. History will make the judgment whether, given the cards they were dealt, another road could have been taken.

And what could (can) the victorious Slovak party have offered to the unnerved—by the former pre-November and post-November rulers—offended, and underestimated citizen? How does it want to or is able to govern? Who forms its base?

No matter what it declares itself to be, we prefer to rely on facts, which speak clearly: Behind its members and sympathizers is not money; its composition is closer to a people's party. Its men—they are not the former party oligarchy or its children (a la Dlouhy), trained at Western universities and during study visits. It does not even have its roots in families with "good addresses," at most among Slovak one-generation intellectuals. It does not have wealth. What kind of power can it represent then, if it cannot offer what it does not have? How can it hold on to power when it has nothing to offer? Is Slovakia really in danger of hopeless pursuit of power, lurching from one election to another, constantly looking for a miracle? And will the country run with blood from election to election, until finally, largely defenseless, it is raped by some latter-day Genghis Khan?

No one will perform a miracle. Not one political party, not the labor unions, not individuals, even though they insist they are ready to have a go at it. The country and its intellectuals must be conscious of its history. Acknowledge what it is but not blame it. And, in acknowledging our own history, we must unconditionally put ideology on the sidelines. It is difficult to find someone to blame for being in the geopolitical position we are in, and it is useless to sigh and wonder what could be, if... (I am afraid that only our smart children will be capable of it; nevertheless, there is hope.)

At this moment, which is, whether we want it to be or not, truly historic, there is no right, left, or center in the historic meaning of the old Europe. Therefore, they should stop confusing us: At the present time, it is altogether unproductive. Whether we want to or not, we are all facing a task: to fill the purse. And, if we want to live here, we cannot pretend that this task does not concern us. To fill the purse while suffering the smallest losses possible. Because we know they, too, will have to occur—if we are realists and not dreamers.

The victor, with his 38 percent, stands alone against the 62 percent of the thoroughly hardened intellectuals in the parliament, who were defeated in the election and who have great influence on the molding of public opinion as well as contacts abroad. More and more he is being pushed into a corner, and more and more he reacts impatiently and rigidly toward his rivals. And there are many of them—that is simple arithmetic. The struggle is merciless on both sides. And the unnerved victor often lets himself be caught. It makes you sick—but there is nothing that can be done about it because the victor is still waving that 38 percent above his head.

I think that if he fails to look at the other number, if he does not decipher its composition, if he does not take it into account, and does not change the ratio of power accordingly, Slovakia will not have an easy time of it. Of course, neither will the victor, but he is not our concern at the moment. At best, we can feel sorry for him. A man ready to realize even the most daring idea (as he was characterized by the political scientist R. Toth) is full of energy and ready to go, but the idea he would realize—is missing. But there are ideas alive in this country. At least I hope they are not merely ideas that concern revenge and victory, victory and revenge.

We are living joylessly. And not only because we have less money. Joylessly because it is as if the desire to learn and not to blame has remained as if covered by snow on the town square, where the previous victors "pledged" their love. For now, it is only joylessness. Let us hope and believe that it will not turn into hatred. (Because where there is misery, hatred is often only a small step away.) Let us hope and believe that the government will extricate itself from the corner into which it is being pressed by the significantly superior numbers.

But, to accomplish that, that is precisely the idea it has to accept.

#### \* Moravcik on His Past Work, Present Concerns

93CH0486A Bratislava SLOBODNY PIATOK in Slovak  
12 Mar 93 p 3

[Interview with Jozef Moravcik, former CSFR minister of foreign affairs, by Ivo Grycz; place and date not given: "Ministerial Portfolios and Changes"]

[Text] The last Czecho-Slovak minister of foreign affairs, Jozef Moravcik, is an avid candidate for one of the ministerial portfolios in the Slovak Government. The HZDS [Movement for a Democratic Slovakia] leadership nominated him as candidate for the position of deputy prime minister for legislation. And, although today, as the prime minister's adviser, he is preparing himself primarily for that function, the current developments could bring a different political decision.

[Grycz] Mr. Moravcik, does the Ministry of Foreign Affairs make use of your foreign policy experience and the contacts you made during your six months as a member of the former Federal Government?

[Moravcik] One of the main missions of my work during that time was to prepare the establishment of diplomatic services of the two states. So that I immediately turned over everything I could to the Slovak Ministry of Foreign Affairs. Many of the decisions we made in the federal Ministry of Foreign Affairs were closely coordinated by both ministries. Naturally, it was very important to me that the Slovak diplomatic service reduce its handicap as much as possible in relation to the Czech foreign service. Now I am being asked to assist the Slovak Republic Ministry of Foreign Affairs as an expert on occasional consultations.



[Grycz] Can you compare the work in the dual Federal Government with the work in Meciar's Cabinet?

[Moravcik] The dual government, as you called it, was not the government of a federal or a unitary state. It was a typical confederate government, which means that its Slovak and Czech components closely coordinated their procedures with the national governments. The cooperation with the prime minister was very close. We were, in fact, part of the Slovak political representation. Because I am not a member of the government, I do not have enough information about the work of all of the ministers to be able to evaluate it.

[Grycz] What do you think about the conflict between the prime minister and Minister Knazko? According to V. Meciar, it is not a conflict of personalities but a conflict of concepts.

[Moravcik] I would not agree with the judgment that it is a conflict of concepts, and, to the extent that I talked with the prime minister, he does not think of it that way, either. The concept of Slovak foreign policy is unequivocal and cannot be put in question. To challenge it would cause a much broader and more severe problem. No one has formulated a different concept of foreign policy, and I did not detect in any of the debates that were publicized any hint of a challenge to it. This conflict does not have that basic a character.

[Grycz] What is it all about then?

[Moravcik] This conflict must be judged on two levels: from the standpoint of the functionality of the government, and that of the broader political background of the conflict that is projected into the heart of the HZDS. It is inconceivable that such a conflict could persist in the government. It greatly weakens its ability to function and its credibility abroad. Everyone must understand that, when it reached these dimensions, it became unsustainable and that it must be resolved in a categorical manner, the way it is done everywhere in the world. It means that either the prime minister or his minister should leave. The simplest way would be to resolve this problem through reconciliation. But, if reconciliation is out of the question—and no one probably expects it anymore—the only solution is the restructuring of the government. We took over elements of the chancellor system, under which the prime minister has the same authority to recall members of the government as does the parliament. I believe that, at present, it would not be appropriate in the interest of the government's effectiveness to challenge the authority of the prime minister. From the standpoint of the other aspect of this conflict, it would be very unfortunate if the conflict were to end in the splintering of the HZDS. I am convinced that it is possible for this conflict to stay within the movement, and that the departure of Minister Knazko from the government does not have to mean his defeat in the HZDS.

[Grycz] I believe that the debate among the public is not about whether the prime minister does or does not have the right to recall Minister Knazko. The criticism is aimed

mostly at the manner in which this conflict is being handled. On the one hand, there is the cancellation of the minister's travel abroad at a time when he is performing his function, and, on the other, there is the statement by Mr. Knazko that such a move could cause damage to Slovakia in the area of foreign policy.

[Moravcik] I believe it should have been handled differently. Maybe we shall arrive in our internal political life with such rules that will prevent a situation like this from being dramatized the way it is now. When forming a government, a far greater number of factors must be taken into consideration, and the question of the prime minister's confidence in the ministers of his government is also very important. During her tenure, Mrs. Thatcher changed a number of her ministers several times, and no one made such a dramatic affair out of it. It does not mean that if someone leaves the government we totally write him off politically. He still has opportunities. If he is a real political personality and represents political thinking that has a future and a chance to be implemented, he can become a member of the government many times and even lead it. To settle the problem through the media is very negative. It is also very negative if the resolution of the conflict is put off and the crisis in the government persists. This is precisely the aspect that harms our credibility abroad.

[Grycz] Your name also appeared in the press in connection with the possible candidates for the position of minister of foreign affairs. Did you receive such an offer, and under what conditions would you accept it?

[Moravcik] Personally, as I commented on this issue many times, I would prefer to work in the area of legislation. The recall of the minister of foreign affairs would create an entirely new situation, and, in such a case, it would be necessary to consider a solution that, at the given time, would be most effective for the government's functionality and for promoting Slovak interests. I will therefore be able to give you my opinion only when such a situation arises.

[Grycz] The restructuring of the government opens up the possibility of making the ministerial portfolios available to other parties. Do you consider a possible sharing of governmental responsibility to be a good idea?

[Moravcik] I am skeptical about forming a broader government coalition. There are serious internal problems in the SNS [Slovak National Party]. Because this party is undergoing a period of making basic decisions about its program, their problems would be quickly injected into the government, which would not necessarily contribute to its stability. In the case of the SDL [Party of the Democratic Left], we need to take into consideration what possible international repercussion might follow if it were to join the government. It is questionable to what extent this party succeeded in persuading the world that it parted with the past. I believe this party still needs time to convince the world about its present orientation.

[Grycz] An obvious conflict between the SNS and the HZDS arose in connection with the possibility of naming Imrich Andrejcek minister of defense. You worked

together in the same government. How do you personally evaluate the performance of Mr. Andrejcek?

[Moravcik] He is a man on whom it was possible to depend to the fullest extent in debating the most difficult issues. There was no shortage of critical moments in the confederate government. Minister Andrejcek provided very reliable support in overcoming them, so that he played an unquestionably positive role. The materials submitted to the government by the Ministry of Defense showed very good organizational maturity and expert ability to resolve controversial issues on the structuring of the Army. What I consider extremely important is the fact that Minister Andrejcek has a very good reputation among the diplomatic corps, and my contacts with foreign politicians who formulate defense policies showed that Minister Andrejcek is thought of as a guarantee of cooperation within the framework of European security structures. That is extraordinarily important capital, which the Slovak Government should put to use.

[Grycz] In his inaugural address, President Michal Kovac embraced the idea of closer integration of the Visegrad Four countries and even hinted at the possibility of institutionalizing this integrative group. What is your view of the Central European area and Slovakia's position in it?

[Moravcik] The president expressed things very well. I accept his statement and think it reflects the basic priorities of the foreign policy of the Slovak Republic. However, I am rather skeptical about the possibility of institutionalizing the Visegrad group to the extent that permanent agencies and a new bureaucracy would be created. At present, it is much more advantageous to leave it on an open basis. The Visegrad group has really only a temporary form, and to give it more permanent importance would probably not be a good thing. In this respect, I agree with the basic evaluation the Czech politicians give it, but I do not agree with belittling cooperation in this area. It is very important to create such links between our countries that would be a prototype of the future EC. The specific Slovak interest is not to let the race for membership in the EC harm our relations with our neighboring countries. We must think about what the coordination of the EC will look like after it is expanded by many new countries. It is possible that the EC will be coordinated through larger regional units. The cooperation of the Visegrad group is important if only for the fact that its countries should become EC members in a relatively short time.

**\* Czech, Slovak Universities Decide To Cooperate**  
*93CH0519A Bratislava MOSTY in Slovak 16 Mar 93 p 2*

[Text of a declaration signed by Ivan Slimak, dean of the College of Philosophy, Comenius University, Bratislava; Josef Hladky, dean of the College of Philosophy, Masaryk University, Brno; Ludvik Vaclavek, dean of the College of Philosophy, Palacky University, Olomouc; and Jaromir Homolka, dean of the College of Philosophy, Charles University, Prague: "Declaration by Deans of Philosophy Colleges of the Czech and Slovak Republics"]

[Text] Conscious of our great responsibility for the building and maintaining of a common cultural and educational sphere in the Czech Republic and the Slovak Republic and

of the need for mutual support in the international area, we declare our profound conviction that it is necessary to continue mutually beneficial scientific, educational, and personal relations created by the longstanding cooperation of philosophy colleges and their staffs in both Republics. In this we are motivated by tradition, common interest, and awareness of the objective social needs of both our communities, and therefore we have resolved to adopt this declaration:

**I. Relations in the Area of Scientific Work**

1. It is imperative for the philosophy colleges to continue undiminished scientific cooperation in the special fields pursued by them, particularly in the area of joint scientific projects.

2. It is imperative to continue cooperation in the preparation of curricula and other study aids, including challenge materials. In direct connection with it is the preparation of joint publications, annals, and other materials, according to the needs of the colleges, their staffs, and their students.

3. Another important feature of the cooperation should be all kinds of bilateral and multilateral scientific meetings and joint undertakings in other fields as well.

4. We regard it necessary to preserve joint commissions for carrying out functions relating to degree and teaching qualifications and other scientific-educational functions beyond 1 January 1993. For the future, it is also necessary to consider new joint activities.

5. The colleges will give systematic support to further development of Bohemian and Slovak studies, including teacher exchanges.

6. It must be an indispensable component of joint activities to systematically build up a mutually accessible or possibly uniform information system. In this connection, it will be necessary to think through and ultimately carry out a maximum extent of institutional exchange of specialized publications issued on the territory of the other republic. We assign equal importance to ready availability of information in the interest of our teachers and students.

**II. Relations in the Area of Study Cooperation**

1. On the basis of preliminary consultations, it is necessary to preserve the comparability of study programs, thus permitting, on a high international level, not only the prospect of mutual recognition of examinations and credits earned during study at another institution, but also the possibility for the largest possible number of students to go through a complete study program in the other republic.

2. We regard it as extremely useful to organize regular meetings in specialized scientific areas for students of our colleges and doctoral candidates.

Our colleges, again reaffirming the extraordinary social importance of their joint declaration, pledge themselves to carrying out the actions called for to the maximum extent possible not only on their own territory but also in the broadest areas of their competence. At the same time, they emphasize the openness of this declaration to other related institutions.

## Macedonia

### Serbian Goods, Forged Labels 'Flood' Market

93BA0845A Skopje NOVA MAKEDONIJA in  
Macedonian 11 Mar 93 p 5

[Report by K. Janisljev: "Bulgarian Gherkins With Macedonian Labels!"]

[Text] Containers of canned gherkins and hot peppers carrying the label of the Vinojug ZIK [Agroindustrial Combine] in Gevgelija, sold in the stores, were not produced by that combine. There is a flood in the Macedonian market of a great variety of goods produced in Bulgaria and Serbia.

Gevgelija, 10 March

There are no limits to the games played in commerce, and the merchants are not selective in the means for earning higher profits. Recently, canned goods were discovered in Macedonia with the Vinojug ZIK label, although they were not produced by that famous Macedonian food producer. Several stores in Skopje, Gevgelija, and some other cities have been selling gherkins and peppers in jars claiming to have been produced at the Zora cannery, which is part of the Vinojug ZIK, operating in Gevgelija.

However, officials at the Vinojug ZIK claim that they have not produced such items regardless of what the label says. The Gevgelija cannery is not currently producing gherkins packed in 720-gram glass jars as are found on the market, and the last batches of thus packed gherkins were sold four months ago. However, this is not the only reason for the suspicion that the Vinojug name is being misused in the sale of gherkins and peppers by unknown producers. The labels of the jars with gherkins are not the same as the originals and the paper on which they were printed is of poorer quality. Furthermore, the quality of the gherkins on the market is not the same as the ones produced by Vinojug, for they were first pickled in barrels and then packed in jars, and different pickling methods were used.

The discovery of the forged labels was reported to the Republic Market Inspectorate and the respective MVR [Ministry of Internal Affairs] inspectorates. The Gevgelija Combine officials believe that such canned goods were imported from Bulgaria by some of our companies that, in order to facilitate their sale, have "borrowed" the label of our producer. Even the labels, it seems, are being printed in Bulgaria, so that the imported gherkins and peppers are appearing on our market God knows how.

The Vinojug ZIK has also detected the misuse of its name and label for peas being sold in some Solun stores in Gevgelija. This incident was reported to the municipal market inspectorate, which confirmed that the peas were procured from the PKB [Belgrade Agroindustrial Combine] in Skopje and were suitable for consumption. However, whether the label was the original one is as yet to be established. According to some data, the Macedonian market is flooded with a variety of goods claiming to be produced at home but actually imported from Bulgaria or Serbia.

### Small-Scale Border Trade Viewed

93BA0845B Skopje VECER in Macedonian 19 Mar 93  
p 7

[Report by V.E.: "Without Customs Fees From East and West?"]

[Text] The regulation on small-scale border trade will make possible the exchange of goods exempt from customs fees within the limits of predetermined quotas. The trade will be based on the principle of balancing imports with exports.

We have just been informed that the Macedonian government has drafted an agreement for trade with Bulgaria, within the limits of which the right to small-scale border trade will be regulated. Within the shortest possible time, the same type of relations will be established with Albania. We have furthermore been informed that there will be changes in the commodity lists on the basis of which such trade will take place. This will create prerequisites for balanced small-scale border trade (imports and exports will be balanced, which implies a commodity exchange without paying customs fees).

Last year, small-scale border trade was one-directional. However, such cooperation had not been regulated on the basis of bilateral agreements between Macedonia, on the one hand, and Bulgaria and Albania, on the other (still valid or, to put it better, in terms of Macedonia, still invalid was such an agreement previously signed by former Yugoslavia). Yielding to the demands of producers, the former government had allowed small-scale imports from those two countries without any reciprocal exports on our part. In practical terms, we allowed the customs-free imports from Albania and Bulgaria, naturally within the framework of already stipulated and approved quotas, whereas our exports were burdened by all suitable customs fees charges.

This one-sided agreement began to be implemented at the beginning of August. For the balance of the year we imported goods from Bulgaria worth about \$2 million (as compared to \$4 million as planned); imports from Albania were worth about \$263,000 (or no more than 8.88 percent of the planned \$3 million). According to Lidija Karanfil-ska, adviser on foreign economic problems of the Macedonian Chamber of Commerce, cooperation with Bulgaria is developing within the framework of the expected quotas; 50 percent of the planned quotas have been sold in less than six months. It is only in terms of cooperation with Albania that more serious problems have been noted, above all caused by the grave economic difficulties experienced by that country (in other words, Albania is unable to meet its own needs with domestic production, and therefore it has nothing left for export).

As to the type of goods which are most popular in trade, Karanfil-ska especially emphasized chemicals and food products that are most highly valued when imported from Bulgaria and that also do not have to be processed extensively, as well as farm produce. The biggest imports from Albania were cement, lumber, rugs, and industrial salt.

Since the rules for this type of exchange have still not been set for this year, but with a view to meeting the increased demand of economic managers, in cooperation with the chamber the government has allowed a kind of advance quota worth \$1 million for importing goods from Albania and Bulgaria. Actually, starting with this year, stricter conditions will be formulated in promoting small-scale border cooperation. Thus, anyone who would like actively to participate in small-scale border trade must have already traded goods worth in excess of \$100,000 and be able to increase our trade with those countries by 1 percent.

**\* Russian-Macedonian Gas Pipeline Deal**

93BA0845C Skopje VECER in Macedonian 2 Mar 93  
p 7

[Report by S.P.: "Macedonian-Russian 'GAMA'"]

[Text] *The joint enterprise will be established next month, with shares costing \$1,000 each;*

*Share-ownership will be used in procuring the necessary \$30 million needed for completing the first stage of the GA-MA 800.*

During the second half of April, the final discussions will take place in Moscow with Russian enterprises interested in establishing the mixed GAMA enterprise, which will be the main entity in charge of all activities related to the gasification of the Republic. This decision was made in the course of the discussions recently held in Skopje between representatives of the Makpetrol Gasification Sector and the Gasprom Concern all, including Gaseksport, currently involved in laying the gas pipeline.

Makpetrol has committed itself to draft a contract that will define the conditions for joining the mixed enterprise, and provide a technical and economic analysis of the work of the future joint enterprise. We were informed by the Gasification Sector that the new company will be based on Makpetrol (Gasification Sector) and Gaseksport, which is involved in the present implementation of the GA-MA 800; also participating will be members of the Gasprom, Uraltransgas, Gasimpeks, Vniipitranstas, and Rostroygasifikatsiya Concerns.

The purpose of the new company will be to implement the already initiated GA-MA 800 project, to complete the financial structure, to distribute the natural gas among the customers, to provide goods and services that will be used in the future to pay for the new power source, and to ensure further developments: the second phase with links with Kosovo and Albania. Following the establishment of the new joint GA-MA enterprise, it will assume all the commitments currently assumed by the Makpetrol Sector and Gaseksport.

The discussion that took place in Skopje stipulated that one share of stock will be worth \$1,000. It is expected that the sale of such stock will yield \$30 million, which will be part of the overall GA-MA 800 investment, estimated at about \$60 million. Otherwise, the new enterprise, once

constituted, will be of an open variety, which means that interested economic subjects in the Republic will have the opportunity to participate.

As to the already initiated laying of the gas pipeline in the vicinity of the Karadzina Cesma site, so far two kilometers of pipe have already been completed. The planned activities will face a variety of difficulties. However, as Makpetrol stressed, all such difficulties are of an objective nature consistent with the times in which we live and, in all cases, surmountable.

**Disruption in Yugoslav Trade Affects OHIS**

93BA0844A Skopje VECER in Macedonian 19 Feb 93  
p 7

[Report by J.P.: "OHIS Blocked"]

[Text] *According to a government resolution the marketing of plant protection chemicals produced in Macedonia is prohibited on Yugoslav territory; this causes tremendous harm not only to OHIS [Organic Chemicals Plant—Skopje] but also to the Republic.*

A Federal Republic of Yugoslavia resolution stipulates that the marketing of plant protection chemicals produced by OHIS in Skopje is prohibited. This prevents the producer in Skopje from selling its goods on that market.

This puts OHIS in a very difficult position, especially considering that 80 percent of its production chemicals were marketed in the former Yugoslavia, mainly in Serbia, Montenegro, and Croatia, 70 percent of which was meeting farm needs in the areas of Vojvodina and southern Serbia. According to Lazo Andonov, manager of the OHIS KOMERC sales department, this new step taken by the Yugoslav Government not only financially harms the Skopje producer but has political connotations as well. More specifically, the marketing of our plant protection chemicals was based essentially on barter arrangements. OHIS marketed its output in Serbia and payments were made in reproduction materials and foodstuffs for the Macedonian market, such as sugar, cooking oil, corn, seeds, and so forth, as well as raw materials for the Skopje chemical industry.

While OHIS is prevented from exporting goods to Yugoslavia, chemicals needed for the Macedonian market and, especially, for agriculture, produced by the Serbian chemical industry, are being freely sold, particularly since the chemical industry of our neighboring country has its own outlets in Macedonia, something that was denied to OHIS in Serbia and Montenegro.

Bearing in mind the fact that OHIS can no longer sell its own farm chemicals to Yugoslavia, it will turn to the Macedonian Republic, through the Ministries of the Economy and Agriculture, Forestry, and Water Resources, to take countermeasures and prevent the sale of such items produced by Yugoslav industrial enterprises in the Republic of Macedonia, or else to resolve the problem through an agreement between governments.



**\* Ceramics Factory Bankrupted, Sanctions Blamed**  
**93BA0844B Skopje NOVA MAKEDONIJA in**  
**Macedonian 23 Feb 93 p 14**

[Report by K. Janisljev: "Bankruptcy as the Final Solution"]

[Text] Gevgelija—By decision of the okrug economic court, the High Frequency Ceramics Factory in Gevgelija has been declared bankrupt. This is the epilogue of the more than one-month idling of the factory for ceramics condensers and the forced leave granted to the workers, as well as everything that took place in that collective, which is part of the EI [Electric Power Industry] group in Nis. This started with the blocked market, followed by the resignation of the director and the insistence that the newly formed administrative council find a solution.

The names of all 375 employees have already been reported to the SIZ [Self-Governing Community of Interests] for employment as laid-off workers. According to the bankruptcy manager Janko Temelkov, whose regular job is that of laboratory head at the medical center in Gevgelija, based on an evaluation of the laid-off workers, only 13 workers have been hired. Everything seems to indicate that bankruptcy was the final and only solution for the factory for high-grade ceramics, which, after the breakdown of Yugoslavia, found itself in an unenviable financial condition. Above all, this was due to the fact that between 60 and 70 percent of the production of single- and multiple-layer condensers were marketed within the EI-Nis group and other areas in the former Yugoslavia.

Following the declaration of independence of the Republic of Macedonia, not only was the production of condensers terminated, but also a high percentage of the already ordered condensers by the EI remained unpaid for. Efforts to develop a new production program yielded no results, for which reason, starting with last May, a high percentage of the personnel were given mandatory leave. The blockade of the market made normal output and the sale of the ceramic goods produced by the factory impossible.

Nonetheless, the production of ceramic condensers remains one of the possibilities for making use of existing capacities and manpower. Meanwhile, significant additions have been contemplated with the development program that will be implemented to reactivate the factory. In addition to the implementation of several new additional production programs that will require minor technological changes in installed capacities, the solution will be sought in developing a joint program between the factory in Gevgelija and EMO in Ohrid for the manufacturing of safety fuses for the electric power industry and of other ceramic goods.

With the adoption of such a development program after the factory for high-frequency ceramics declared bankruptcy, it is expected that by the end of the year 120 workers will be employed. The return of the remaining personnel will depend on the implementation and success of the other production programs. However, we must not forget the previous level of output in the course of which

the factory provided productive employment to 180 workers. It was no secret that the factory in Gevgelija may have a surplus of 200 workers unless new production programs are implemented.

**\* Workers, Economy Affected by Sanctions**

**93BA0844C Skopje VECER in Macedonian 19 Mar 93 p 7**

[Report by D. Strezov: "The Solution Is in Someone Else's Hands"]

[Text] Macedonia faces two objective conditions: the foundry workers quite justifiably demand normal working conditions, similar to those enjoyed by their colleagues elsewhere in the world. However, the government has neither the power nor the possibility of providing such conditions;

*All that is left is to survive as best as one can under whatever conditions, until we can see our flag raised by the East River.*

According to data supplied by the end of last month by the Collegium of the Skopje Foundry and addressed to the government and the Macedonian Chamber of Commerce, the voice of the Foundry Workers Trade Union was heard yesterday. In both cases, voices were heard from the foundry demanding, above all, that suitable working conditions at that metallurgical capacity be provided, compensations to be paid to the personnel for the losses ensuing from UN Resolutions 757 and 787 (\$17 million), and have the type of relations with society as were stipulated by all parties in the electoral campaign. Nothing else!

This means that, actually, all the foundry workers want are normal working conditions, such as are enjoyed by all metallurgical workers throughout the world. Let us point out as an example that throughout the world 80 percent of the metallurgical output is sold domestically and the remaining 20 percent is exported, but with a significant financial assistance on the part of the state in order to support the price accepted on the world market.

**We Do Not Demand "Luxury"**

The Skopje foundry workers do not go that far. They do not require "luxury." All they demand are normal working conditions that would emphasize priority to transportation and power, and if there is no financial aid provided by the state, at least there should be no excessively high taxes. Actually, the foundry workers are demanding their proper position in the state. They are demanding to have their right place, for it is a question of more than 9,000 families and a multiple of that number of people if we include their direct business partners. This is a number that should greatly concern the entire Macedonian population. Such is the approach to be adopted as we listen to what the foundry workers are saying. They are speaking bluntly, openly, and truthfully.

What is being said at the Skopje foundry?

The accounts of the foundry are striking. After the breakdown of the Yugoslav market, a number of negative processes developed in the foundry. Compared to 1991, the 1992 output dropped by 50 percent. Approximately 500,000 or more metric tons were of iron goods were sold on the former Yugoslav market. Today no more than 40,000 to 50,000 tons are being marketed domestically. From 1 May of last year to the end of the year, only 22,830 tons were sold on the foreign market. The main reason for this is the blockade being imposed on us.

The impact of the blockade of fuel oil from Greece, as a result of which last year's production dropped by 200,000 tons, was especially detrimental. Direct damages caused as a result of trying to find alternate transportation routes, warehousing, the cost of storing facilities, interest, and idling are assessed at nearly \$3 million.

Prices impose a heavy burden on the activities of the foundry. Since last December the cost of electric power has increased by a factor of 58; of fuel, by 70; and of rail transportation, by 81. The rate of exchange of the denar to the dollar has increased by a factor of 84. This year as well the foundry workers are anticipating a loss of 24 billion denars, or \$20.3 million!

The foundry workers warn that unless the reserves which, as they believe, may be found among all their business partners, are put to use, the foundry may have to close down altogether!

#### Who Will Cut the Gordian Knot?

What could the government do when faced with all of these terrible truths? Virtually nothing! Nothing because not one of the conditions for work at the foundry depends on the will and power of the government. All of this is outside of its hands. The resolutions of the United Nations were passed without anyone asking us; our southern neighbor is being asked by the entire world why it is doing what it is with its blockades aimed against us, but refuses to answer: The only answer we can remember is that the blockades are imposed because of what we call ourselves!

As to compensations from the United Nations for the damages caused as a result of its resolutions, we would be probably the first in the world to be owed something of this nature. Therefore, in this case as well, the government can merely observe the situation, regardless of the fact that, once again, after the passing of Resolutions 757 and 787 it provided its own estimates of the damages that will be caused to us by observing the sanctions imposed on the Federal Republic of Yugoslavia. We observed this world request, we submitted our figures for the damages, and that was all!

No loans can be obtained from the state, for the prime minister openly said that all that the state treasury has is some \$60 million. The world is unwilling to give us a single dollar until it has seen our flag floating by the East River.

The result is that the foundry workers are probably the only and first example in our country who are not asking

for money or aid but for work and who are faced by a government that is shrugging its shoulders and keeping its mouth shut.

Who can cut through this Gordian knot? For the time being, Macedonia simply finds itself in a situation that it cannot resolve by itself but that must be resolved by others!

#### Country's Inflationary Spiral Analyzed

93BA0840A Skopje VECER in Macedonian 17 Mar 93  
p 7

[Report by V.M. Bozinovska: "Inflation Is Gnawing Deeper"]

[Text] *The rate of inflation in February doubled the January level and equaled 32.5 percent;*

*In the past two months more than 50 percent of the planned inflation of 100.4 percent was reached!*

*If inflation were to continue at the same pace we could expect that the annual inflation will reach 2,838 percent;*

*The overall value of the denar dropped by 34.8 percent in only two months.*

According to the macroeconomic policy adopted by the government for this year, the plan called for an annual inflation of 100.4 percent. For the first three months of the year inflation was to increase by 10 percent monthly, and between May and December to be reduced to no more than 4 percent monthly! However, practical experience has shown that averages and plans have already failed from the very start, for in the past two months 50 percent of the annual inflation has already taken place! This means that inflation in January reached 15.6 percent, rising by 32.5 percent in February or, cumulatively, for the past two months totaling 53.2 percent.

#### Elimination of Moderate Inflation

Whether we wish it or not, we have already entered the area of high inflation and, should it continue at this rate, by the end of the year we shall end up with an annual inflation as high as 2,828 percent rather than 100.4 percent, as planned!

According to Dr. Gligor Bisev, director of the monetary sector of the National Bank of Macedonia, according to the latest studies conducted elsewhere in the world, an inflationary rate of 15 to 50 percent annually is considered moderate. We have reached that level monthly, and unless proper steps are taken, we could quickly expect to have a high inflationary cycle. The current rate of our inflation is somewhere on the level of March 1992 (26 percent), which later jumped to 86 percent monthly in April! The increased pace of inflation in February was also due to the price increases in communal services and power, accounting for 50 percent of the monthly increase, so that the net inflation in February was 18 percent and we could expect the same rate of increase unless macroeconomic political steps are taken.

Actually, according to Dr. Bisev, the Republic still lacks a macroeconomic policy for the year, and all that has been contemplated and assessed so far in the field of inflation has been quite unrealistic. Actually, estimates on the dynamics of inflation were made as early as last November, but the government adopted its macroeconomic policy not before the end of last February. Meanwhile, the initial assessments were not amended but were left with the assumption that the basic parameters of the economic policy would be reached last December. However, according to Bisev, salary discussions are still taking place, and this is one of the most important factors in reducing inflation.

Furthermore, the projection on the monetary aggregate dynamics was based on the assessments of last December. To this day, however, we have still not established the main objectives and tasks of monetary policy. That policy is currently functioning without any official target, so that there is no anchor to stopping the inflation, for which reason quite naturally it jumped.

#### Working for Hyperinflation

The reason for the start of a new inflationary spiral is the major discrepancy between the internal and external purchasing power of the denar. To illustrate this fact, in January the purchasing power of the denar dropped by 13.49 percent; it dropped by 22.18 percent in February or, altogether, for the past two months, by 34.8 percent. The official currency exchange rate is becoming increasingly unrealistic. This means that there is no real yardstick in terms of economic relations with foreign countries. The budget is becoming increasingly depleted. Customs fees are being paid at such a depreciated official rate and the state is unable to secure basic income for financing what it must and is unable to perform its stipulated functions.

All of this further activates the inflationary spiral which, unless steps are being taken, could rapidly develop into hyperinflation. Experience has indicated that the fight against tolerates no delay, for one day of inflation requires two days of anti-inflationary struggle. There are ways of slowing down and eliminating inflation but the only question, according to Bisev is, the extent to which we are prepared to carry them out. If we continue to play the game of trying to eliminate inflation, we need foreign exchange reserves or foreign aid. Therefore eliminating inflation will be a difficult task.

Therefore, practical experience indicates that in order to lower and eliminate inflation we must apply a restrictive fiscal and monetary policy, plug all budget deficits, and develop proper salary and foreign exchange rate systems. According to Bisev, the freezing of salaries is less important than it is to set the dynamics for salary increases. In order to eliminate inflation, he says, salaries must be set once annually, for a full year ahead. At that point, both the trade unions and the government will experience the need for lower inflation, for if inflation is high wages will depreciate further.

As to the exchange rate that under the conditions of such a high inflation is the main indication and yardstick for the

attitude adopted by the economic entities, in order for it to play its proper role it becomes necessary to eliminate any factor which requires wage and price indexing. Unless this is done, any change in the rate of exchange will be of short duration. According to Bisev, one of the solutions is to take a short period of two to three months and eliminate price and wage indexes, which would reassert the credibility of macroeconomic policy. During this time, the system would function under a system of fixed foreign exchange rates, and only then would they find their ideal level.

Naturally, these are steps for the elimination of inflation and for keeping it under control. However, they are short-term measures. This means that in the longer range the Republic will have to take other steps, such as the privatization of the economy, restructuring, improving the health of enterprises and the banking system, and so forth.

[Box, p 7]

#### More Money in Circulation

As of today, the National Bank of Macedonia will issue a new amount of denar vouchers. According to bank officials, this step was necessary for the reason that some notes in circulation are no longer usable and, as such, have been withdrawn. This has triggered a shortage of cash, felt particularly strongly over the past two weeks.

However, it is expected that the situation will be normalized as of today and that this currency will be used until April, when the new currency will be issued. According to Tome Nenovski, deputy governor of the NBM [National Bank of Macedonia], the printing and coining of the new Macedonian currency is developing quite normally, without any major difficulties, and one-half of the stipulated amount has already been minted. However, the precise date at which this currency will be put in circulation cannot be determined. What is certain is that this will take place sometime next month when, according to Nenovski, all bank notes and coins will be ready and distributed among the banks and places where they will be exchanged for the vouchers.

#### \* 'Indifference,' Lack of Agricultural Organization

93BA0840B Skopje NOVA MAKEDONIJA in  
Macedonian 20 Mar 93 p 3

[Report by G. Kaievski: "The Annual Campaign Is a Bitter Secret"]

[Text] *While the biggest producers of sugar beets in Europe are keeping the production of this crop under strict control, Macedonia has left it uncontrolled. Even the lowest-priced imports cost more than domestic production.*

Bitola—While the state institutions in charge of "organizing" the sowing campaign are issuing nothing but dry data based on plans for 1992 or 1991, nothing specific has been said concerning the main questions: What will be planted and on what areas, what products will be included in the list of guaranteed purchases and prices by the government, what is the government's attitude toward crops of strategic importance, and so on. All we know is that the spring

sowing will include a total of 230,000 hectares that will be planted mainly in corn, sunflower, sugar beets, spring wheat, tobacco, and garden crops; that this year there will be no petroleum blockade as there was last year; and that there will be no particular problems in completing the sowing of crops on said areas. However, does this not appear as a lack of a specific plan as to which of these crops will be included in the 230,000 hectares and how will the importance of each crop be rated?

#### Observers!!!

The way things stand immediately before the start of the sowing campaign, it appears that there will be problems. According to the agronomists, the optimal period for the sowing of the sugar beets, for example, begins on 20 March (and usually lasts until 20 April): The only sugar refinery in the Republic, however, does not have even a basic idea of the size of the areas that will be planted in sugar beets or even whether the processing of the beets will take place, based on the statements made so far by the two sectors.

In specific terms, while the sugar refinery was a member of the Pelagonija Agricultural Combine, the combine was its main supplier of raw materials; for this spring it has reported the sowing of sugar beets on no more than about 1,000 hectares. Furthermore, it claims to have reserves so that "it would not pay it to raise this crop"(!). On the other hand, the private farmers in Bitola are now saying that they intend to plant about 600 hectares in sugar beets; added to what is being planned by the combines in Prilep and Strumica (60 hectares each) and what will be planted by the private farmers in the other townships (no more than 300 hectares), in the best of cases this would mean a total area of about 2,000 hectares. This means that in the spring sowing not even a single percent of the total planned area will be used! Taking into consideration the average output per hectare, it turns out that indeed it would not pay for the sugar refinery to organize a processing campaign for some 80,000 metric tons of beets, which is the optimal amount expected out of some 2,000 hectares (the factory's capacity is as high as 150,000 tons, something which has occurred so far on only three occasions, the last time being in 1969. This also was the last year of its participation in the Pelagonija ZK [Agricultural Combine]).

According to Mihajlo Dimitrovski, head of the raw materials section of the Bitola sugar refinery, this is almost exclusively due to the lack of a suitable organizational system: the government or, respectively, its Ministry of Agriculture, the Macedonian Chamber of Commerce (which has not shown even a minimum of activeness in this area), the commercial banks, the sugar refinery, and, naturally, the producers. He says that the government in particular, its respective ministry, the Chamber of Commerce, and the banks are behaving like most impartial observers.

According to Dimitrovski, "We are not asking of the state to issue decrees, as had been the case for the past 50 years, and to dictate who will produce what and how much. However, we cannot comprehend its indifference toward a

commodity of specific strategic significance. Even the biggest producers of sugar beets in Europe, such as Germany, the Netherlands, France, Russia, and Poland, keep close control over the production of sugar beets (and, therefore, of sugar). It turns out, however, that our weak state has abandoned any control over this product. It either does not care or does not wish to know what and how much it is losing, even though it is losing a great deal. Mihajlovski cannot explain the reason for the statements of some of the traditional producers of sugar beets who say that they do not find such activity profitable (as seen by the Pelagonija ZK which itself used to sow 2,000 hectares in that crop). Unless, Dimitrovski says, the entire fault lies with the banks and the state, "thanks to which" neither the private nor the public sector will be paid on time for the amounts purchased, although the bonuses which will be paid and rulings to this effect were published in SLUZBEN VESNIK several months ago.

Manager Mihajlo Dimitrovski mentions that because of the situation in which the sole Macedonian sugar refinery finds itself today, its leadership recently requested that the problems be considered by Kiro Gligorov, the president of the Republic, and by Branko Crvenkovski, the prime minister, reminding them that the factory personnel is on the verge of exploding.

#### Gains and Losses

It is not that the employees have much to lose. The director of the Bitola (meaning Macedonian) sugar refinery, Mihajlo Dukovski, has repeatedly stated that in order to ensure their survival, they could undertake the refining of raw sugar from sugar cane that, on the world market for the time being, is fetching an extremely low price. However, he says, this does not constitute a solution, for even the least expensive imports are several hundred percent higher than domestic production. Mihajlo Dimitrovski, head of the raw material department, said the following:

"The average yield per hectare, which is about 40 tons of sugar beets, yields, in addition to 4,800 kg of sugar, another 1,600 kg of molasses, which is additional feed, and raw material for the yeast and alcohol factory (the only one in the Republic) that would produce from this amount about 1,100 kg of yeast or about 400 liters of alcohol. Furthermore, what is left of the 40 tons of sugar beets is about 15 tons of leftover bits (further supplementary feed) and about 2,000 kg of saturation alkaline water that can be used as chemical fertilizer. In other words, the by-products alone yield a mass, in terms of starch units, equivalent to 7,000 kg of corn per hectare, something that is difficult to achieve. Furthermore, if the leaves and tips are plowed under, they become fresh fertilizer, providing about 90 kg of pure nitrogen, 100 kg of phosphorous, and 250 kg of potassium. This is the basic amount of fertilizer needed by the soil. In other words, out of one hectare in sugar beets, that yields about 40 tons of leaves and tops, we can feed a high yielding cow. This means that with its former 2,000 hectares under this crop, the Pelagonija ZK could have fed 2,000 of its cows from which it would 'generate' yet another some 6,000 tons of manure."



**"We Are Asking but There Are Few Takers"**

The sugar refinery simply does not know where else to go, having tried everything. This year as well, as has been the case in the past, the private farmers are demanding free seeds and seeders, and even to have their debts paid off to the Strezevo HMS [Water Irrigation System] (for the first time this year) for irrigation, for that is precisely the reason for such and similar purposes this system was built.

The sugar refinery has tried (so far unsuccessfully) to reach an agreement also with the Pelagonija ZK, should the combine indeed consider beets an unprofitable crop, to pay for it as much as it would earn from sunflower and corn. For example, Pelagonija was asked to plant sugar beets on 2,000 hectares and obtain, in the final account, the highest price it could get per kilogram of corn.

In all likelihood, in the not too distant future we may exist without our own sugar production. It would be strange, however, for a country with such scarce reserves of foreign exchange to have to pay for even 80 percent of the necessary sugar that it must import (this is being done currently, and there are no indications of even a basic wish to eliminate illegally dug irrigation canals). Equally strange is the fact that the plan for the building of the Strezevo HMS was presented to the foreign creditors as being dug for the watering of sugar beets on an area of 3,000 hectares by the Pelagonija ZK alone. Now, however, it is considered unprofitable to do so on an area of over 2,000 hectares for the entire Republic. However, it is perhaps only miracles of this kind that will manage to eventually make us come to our senses, Dimitar Mihajlovski says.

**Production Figures for 1992 Reported**

93BA0840C Skopje VECER in Macedonian  
2 Mar 93 p 11

[Report by Z.M.: "A Minus of 26.5 Percent"]

[Text] Compared to the preceding year, the physical volume of output in Skopje's overall industry in 1992 showed a drop of 26.5 percent. There was increased output in only two items, while as much as 28 industrial projects showed a decline.

According to the Republic Statistical Institute, the "leader" in this sort of "black list" is the industry for the production of transportation facilities, which shows a "minus" of 55.2 percent; not far behind are ferrous metallurgy (48.8 percent), the chemical industry (41.2 percent), machine building (40.6), metal processing (36.6), nonferrous metal processing (26.6 percent), and so on. The only "positive" industries were printing (a 31.6 percent increase) and the production of electrical machines and apparatuses (11.9).

According to the study made by the Skopje City Chamber of Commerce, this failure of Skopje's industry is the result of external and internal factors. The main external "culprits" are the following: the current political situation in the former Yugoslav area in which the Skopje economy bartered as much as two-thirds of its goods, followed by the

problems of the international (non)recognition of Macedonia, sanctions based on Security Council Resolutions 757 and 787, and the Greek blockades. Included in the purely domestic reasons are the still unfinished development of institutions (especially, the failure to pass the most important basic economic laws), inconsistency in the implementation of the macroeconomic steps which were taken in 1992 (the anti-inflationary program above all), lack of financial discipline, and the expansion of the "gray" financial and commodity markets. Actually, it was those same reasons that have resulted in the reduced use of capacities ranging from 30 to 60 percent and to a series of mandatory leave granted to the workers, especially in the basic industrial sector.

**\* Statistics on Apple Surplus, Trade Problems**

93BA0842A Skopje VECER in Macedonian  
3 Mar 93 p 8

[Report by J. Pavlovski: "Stores Filled With Concern!"]

[Text] *The optimal period for apple purchasing has already passed while more than 20,000 metric tons of apples produced by private farmers remain unsold; price haggling with the processing factory in Carev Dvor.*

There is no joy among Macedonian fruit producers, the private apple growers in the Prespa area in particular. Last year's record-setting output caused them greater headaches than ever before. They do not know how and where to sell their produce. According to the estimates of Slobdan Muslarovski, secretary of the Private Farmers Association in Resen, about 21,400 tons of apples remain stored in basements and other unsuitable places, the selling of which on the market or for processing by the Prespa factory in Carev Dvor remain doubtful.

**Blocked Outlets**

Prior to the breakup of Yugoslavia, the highest percentage of Macedonian apples was sold in the former Yugoslav republics; the highest volume (80 percent) went to Serbia, followed by Croatia and Slovenia. Following the declaration of independence by the former Yugoslav republics, it seems that an end has been put to the sale of our apples outside the Republic. The most difficult situation is that of the private producers. The private producers, hoping for the "good old days," established contacts at the right time with the bigger exporters to sell their produce outside the Republic. As they have always done, fearing that someone would profit from their labor, they wanted to ship their apples in their own transportation facilities and make their own arrangements.

Having realized that such deals are not only difficult but also complex, they started knocking at state doors, expecting their problems to be solved by someone else. However, with the conversion to a purely market-oriented economy, they must find their own ways. Since different solutions are hard to find, it would not come as a surprise if a huge share of the harvest ended up rotting in fields and

dumping grounds. They ignore the proven facts that they are asking for their apples as much as the prices of imported southern fruits.

#### How High Are the Surpluses?

According to data submitted by the Makedonija Plod Business Association in Resen, the Mite Prculovski ZZ [Agricultural Association] in Carev Dvor, and the Private Farmers' Association, the refrigerated facilities of publicly owned enterprises can hold no more than 4,300 tons, while the individual producers have stored more than 20,000 tons of apples, of which 12,300 tons are first quality. According to Vlado Tjorodzanovski, director of Makedonija Plod, there are no problems in marketing apples produced by the public sector. As to apples produced by the private sector, the question remains open, especially considering that the amount is huge and that finding markets is difficult.

The private producers who find themselves in difficulty caused, to a certain extent, by their own fault, such as lack of organization, insisting on prices higher than those charged on world markets, improper storage (more than 1,000 families in Prespa are storing apples in unsuitable premises, and poor grading and packaging. They are seeking a solution by demanding an additional commitment by the Carev Dvor factory to process the surplus as apple concentrate. The enterprise would process the apples from which the factory, the individual producers, and the state would benefit (from some 7,000 tons, 700 tons of concentrate would be obtained, which would yield an income of 1 million German marks). However, the producers are asking for 150 denars while the factory is offering no more than 100 denars per kilogram, providing that the commercial banks approve loans at reduced interest rates.

With the end of the apple purchasing and processing season, it looks as though many of the questions will remain unanswered and, if no solutions are found, we would not be surprised to see the apples used in the spring as fertilizer in fields and orchards, or else dumped along ravines and mountain slopes.

[Box, p 8]

#### Stocks

The latest data indicate that the Republic has a stock of 24,640 tons, 12,240 of which first quality and 12,100 second quality. The amounts stored at the Tetovo ZIK [Agroindustrial Combine] refrigerated facility total 1,500 tons (750 tons each of first and second quality, mainly of the ajdared and delicious varieties); no more than 40,000 tons of first-class of the delicious variety are stored at the Kicevo ZS [Farmers Union]; stored at the Struga ZIK are 800 (400 first and 400 second quality red and golden delicious); 300 tons are stored at the Gradinar ZS (200 first and 100 second quality, red and golden delicious); 1,300 tons are stored at the Agropod RO [Workers Organization] in Resen (650 tons each first and second quality, red and golden delicious), and 4,000-4,340 tons are stored at

the Gorica ZZ [Agricultural Cooperative] in Ohrid (2,240 tons first and 2,100 tons second quality).

It is estimated that the private sector has stored about 20,000 tons (10,000 each of first and second quality).

[Box, p 8]

#### Statistical Figures

The Republic of Macedonia has 23,000 hectares in fruit crops. The annual production fluctuates between 150,000 to 175,000 tons, one-half of which are apples. The average annual apple production is about 77,800 tons, 60 percent of which produced by the private sector. Every year the Carev Dvor factory produces a concentrate of 10,000 to 15,000 tons from which foreign currency earnings range from 1.2 million to 1.5 million marks.

Last year the Republic had 3.219 million apple trees from which the autumn harvest yielded 85,000 tons of apples, or 76 percent above the 1991 crop. The marketing of these apples is made more difficult also because of increased production in all former Yugoslav republics, ranging between 20 and 50 percent and increased apple production in Greece, Hungary, Romania, Italy, and other European countries.

#### \* Greenhouse Vegetable Producers Urge Protection

93BA0842B Skopje VECER in Macedonian  
9 Mar 93 p 8

[Report by J.P.: "Greenhouses 'Bursting' From Deliveries"]

[Text] *The biggest problems are those of greenhouse production;*

*Demand to ban imports of all garden produce for the period during which our producers can offer adequate supplies on the market;*

*Reduction of production expenditures by eliminating the tax on liquid fuel, mineral fertilizers, pesticides, and packaging.*

Workers engaged in the growing of spring vegetables in the Republic find themselves in a very difficult economic situation. Production expenditures are very high, making the produce noncompetitive on the market; furthermore, excessive imports have disrupted production and marketing. According to the truck gardeners, the reason is the inconsistent policy pursued by the Macedonian government concerning this segment of the agricultural complex.

#### Uncertain Survival

The Greenhouse and Other Garden Produce Group stresses that the situation of that share of the agricultural complex has been poor for a number of years, although it has never been that bad. The survival of more than 3,000 people engaged in greenhouse production is in question. The problems involved in this situation are familiar and obvious and may be classified essentially into two groups: The first is the common problem affecting the entire

agrarian sector—high basic production costs (expensive seeds, shortage of mineral fertilizers, expensive chemicals and fuel, and so on), followed by delays in settling old accounts, and the payment of bonuses and other incentives provided by the state. The second group of problems involves unregulated trade and customs fees, which caused the biggest damage to the greenhouses. It is precisely for this reason that the most discontented are the producers of early truck garden crops who are demanding that urgent steps be taken. Particularly damaging to greenhouse workers are imports of similar produce at prices lower than their own. Therefore, they are demanding special import regulations, something which has been repeatedly asked of the Macedonian government. However, only a few protective steps have been taken that are of no great help to people engaged in greenhouse production.

### What Is Being Suggested?

Considering the difficult situation in greenhouse production and other permanent projects, and that the situation with cold frames is no better, the Greenhouse and Other Truck Gardening Production Group insists that the government take steps, such as importing raw materials (seeds, fertilizer, fuel oil, and others) be allowed to all registered producers and not allow anyone else to raise prices. Furthermore, they want the fuel oil used to heat up the greenhouses and other materials for the projects and handling and packaging of production materials to be totally exempt from high taxes.

Bearing in mind the truly poor working conditions in the greenhouses and cold frames, the workers employed in such activities ask that they be granted seniority benefits and, considering the major problems of customs fees charged at the Macedonian-Yugoslav border, insist that this issue be settled between the Macedonian and Serbian governments. Considering that the market is overloaded with imported spring garden crops, they insist that their import be banned between 15 May and 15 July and between 15 October and 15 January of the following year for tomatoes; from 15 February to 15 July and from 1 October to 31 December for cucumbers; from 15 August to 30 October for gherkins; from 15 May to 15 July for early potatoes; from 15 June on for cabbages; from 15 May to 10 July for green peppers; from 15 June to 30 September for watermelons; and from 15 March to 10 July for other garden produce.

### \* Prospects as 'Healthy Food' Exporter

93BA0842C Skopje NOVA MAKEDONIJA in  
Macedonian 20 Mar 93 p 5

[Report by B. Dicevska: "Healthy Food Means Higher Exports"]

[Text] *Macedonia's sole opportunity for higher exports to the world markets is to produce foodstuffs free from chemical pollution, for which the world is literally going crazy. Tests and sampling of soil features conducted so far indicate that Macedonia could become an oasis for healthy food.*

Tobacco and cigarette exports earned \$106 million. Wine sales totaled about \$20 million, and lamb earnings were between \$15 and \$17 million. These are the three main Macedonian exports to the world markets. However, opportunities are much greater, particularly if we bear in mind the production structure of the overall Macedonian agrarian map. It is true that the sales of tobacco and cigarettes exceeded all previous records. Such was not the case of wine, lamb, canned goods, vegetables, fruits, various beverages, and so on, however. Above all, when we bear in mind that every year between \$80 and \$90 million could be earned from wine exports; about \$34 million could be earned from the export of lamb and as much from canned goods. In short, there are real opportunities for increasing exports by several hundred percent.

### Production of Healthy Food

It is an unquestionable fact that such a development is greatly affected by the various blockades imposed on some of the former Yugoslav republics, the interrupted market relations with a number of areas, the more difficult transportation facilities, and the existing European Community protectionism, which have a negative impact on the implementation of already agreed upon export deals. However, the fact remains, as confirmed by a number of practical examples, that the problems of the agrarian sector are being considered only partially and viewed as a bad legacy from the past, rather than systematically and thoughtfully, which are prerequisites for developing new markets, changing the varietal structure and, above all, developing of a new "image" by proper labeling and packaging of goods in demand on the foreign markets, the more so since for many years we were the slaves of a system according to which documents dealing with development and advancement in food production were drafted exclusively on a comparison basis. Yet it is precisely such comparisons that are now proving to be our greatest illusion.

A number of old examples indicate that it is precisely because of many years of observing such prerequisites that the highest production capacities were built that are now idling or else are nothing but lost investments. What is even worse is that primary production planning was based on recorded Republic statistics for some food articles rather than on the basis of respective plans and programs for food production, based on contemporary scientific achievements in terms of actual biological needs. The only explanation for this is that this was proof of pure amateurism in "public nutrition." This depersonalized the Macedonian agrarian map and now makes perfectly natural our failure to make our way in the world with our specific wines based on geographic origin, although viticulture and wine making in our country have a long tradition, although we continue to drink Spanish, Portuguese, or French wines. It even happened that lamb was being imported from Bulgaria and Turkey while the sale of our lamb was relying on the "liberal attitude" of the European Community. We purchased Greek, Bulgarian, and Albanian fruits and vegetables containing, according to the analyses, toxic substances exceeding the permissible levels by a factor of 13, instead of making use of global

practical experience in our truck gardening and orchardry that are much healthier and unpolluted.

Taking all of this into consideration, it is more than obvious that we must think about making substantial changes in our food production. Above all, we must adopt European standards, for, as was stressed by Atanas Tanevski, agricultural adviser to the Macedonian Chamber of Commerce, we have real opportunities for increasing our exports. This applies, above all, to exporting healthy food that is today the focal point of interest throughout the world. Yet it is precisely Macedonia that is one of the healthier production areas in the world. This should constitute an even greater challenge for our agricultural experts and managers who should consider opportunities for greater exports of food by making use of natural resources. This is emphasized also by the ecological catastrophe that is becoming increasingly threatening of late. However, this requires that we redirect our agrarian policy toward the European Community, which demands exclusively healthy food and observance of all standards concerning quality, finishing operations, packaging, and so on, the more so since, according to the latest studies, it is possible for Macedonia to sell on the world markets exclusively healthy products of 30,000 to 40,000 metric tons of apples, about 3,000 tons of apricots, 2,000 tons of peaches, 10,000 to 12,000 tons of plums, 50,000 to 70,000 tons of tomatoes and other nongreenhouse produce, as well as from 10,000 to 15,000 tons of confectionery goods and 10,000 to 15,000 tons of canned vegetables, not to mention possibilities for exporting wine, beer, and other beverages.

The initial changes on this level are already taking place with the forthcoming new regional classification of agricultural production, according to which areas will be set for the production of macrobiological food items that are also in great demand on the foreign markets. One of the reasons is that tests conducted so far and the determination of the qualities of the soil, according to Tome Zimbakov, from the Ministry of Agriculture, have indicated firm results for greater opportunities for the production and, above all, the export of healthy food from Macedonia. It is precisely this type of healthy soil that should be used in developing more new and suitable varieties of various farm products which are in demand on the world markets. Also related to such exports are the efforts being made to organize an agricultural commodity exchange that should begin functioning soon.

#### A Larger "Menu"

Bearing in mind that in the overall global food trade the Republic of Macedonia falls in the so-called "moderate zone," this confirms, yet once again, the view that the Republic could offer on the world market a longer list of products, such as grain, rice, vegetables, fruits, eggs, meat, wine, medicinal herbs, and so on. In other words, this means that in the future we should not allow our exports to amount to tobacco, wine, and lamb only. However, in order to achieve this we must include the private sector where the highest reserves for the production of high-quality healthy food for export lie. First, by including the private sector in the overall planning of production and

annual output and, second, by providing more scientific advice on the use of chemicals. This is what is most necessary at present, particularly if we bear in mind the already recorded examples of importing inadequate means of protection, the use of which is "threatening" to increase. Mandatory control is equally necessary through greater sanitary supervision of the food we produce. Briefly, all of this is necessary, for we must realize that the only opportunity for us to emerge on the world markets with more goods is to produce healthy food safe from chemical pollution, that is in such great demand throughout the world. We must seize this opportunity, for Macedonia has prerequisites for becoming an oasis of healthy food.

#### \* Agricultural Export Needs, EC Standards

93BA0842D Skopje VECER in Macedonian 19 Feb 93  
p 3

[Report by V. Eftov: "Europe Is a Demanding Gourmet"]

[Text] *Our agricultural export strategy must be based on two key factors: We must produce agricultural goods with higher standards and take into consideration future EC agrarian policy;*

*The situation for marketing our produce on the European markets in the forthcoming years does not look good;*

*A talk with Dr. Todor Todorov, who has made a study on the possibility of marketing our farm goods on EC markets.*

Fortunately or unfortunately, it makes no difference, we cannot compete in Europe by exporting airplanes, computers, and many other items. However, we could market our farm goods. It is normal and, according to the logic of things, we should now settle the issue of the extent to which we are truly prepared to export high-quality farm goods to the EC, naturally without falling into some sort of trap and tying the quality export to European markets exclusively to the exceptional climatic conditions we have. Apparently, the Ministry of Agriculture does not have a clear answer to the question of the extent to which agriculture could become our main export item on EC markets. Let us discount the euphoric statements on the possibilities of our agriculture as made by political parties.

Recently, Dr. Todor Todorov, professor at the Department of Economics, in Prilep, drafted a study for the Ministry of Agriculture in which, among other things, he discusses the possibility of marketing our farm goods on the European market. According to Todorov, there are two key features on which we must build our farm export strategy for the EC: the production of farm goods of higher standards and to take into consideration future EC agrarian policies.

#### A Volume Market

According to Todorov we must stop considering Europe as a shed into which we dump our tomatoes, peppers, melons, spring vegetables, lamb, and so forth, deluding ourselves that we are selling healthy natural-grown food products to Europe. We truly do not need this kind of farce, considering that the Europeans have never had that kind of image



concerning farm produce they have imported from our country. Conversely, Europe has always considered us as an appendix to its shady economy, from which it buy take one product today and another tomorrow at ad-hoc prices and as needed. We were considered a "bulk" market for odd sizes from which, whenever they felt like it, the Europeans would purchase "rarities" as an example of the fact that somewhere in the "mountainous Balkans" one still grew farm produce the way one did during feudal times. Macedonia neither can nor dare fit such an image.

Some people may not like this, Todorov says, but we should not ignore the fact that in the future Europe will become a huge laboratory in which anything coming from abroad will be "quarantined" and subject to detailed biochemical analysis. Could Macedonia withstand such an analysis?

"Before we answer this general question," Todorov adds, "we must take another dozen issues into consideration, which are no less important. Is Macedonia able to produce and sell natural juices in biodegradable plastic bottles? Or else precooked foods packed without preservatives that until opened would retain their freshness with the help of a gas especially inserted in the container (with guaranteed freshness not to exceed 60 days)? Naturally, would Macedonia be prepared to export its tomatoes or strawberries in containers which guarantee the full freshness of the produce using carbon dioxide from the atmosphere, without oxygen, which spoils the produce? In the case of Europe, and not Europe alone, this means healthy food and not some kind of idyllic image of red apples sold by the basket. To this effect, we must do more work on such issues and be no longer astounded by the quotas which Europe set for us for exporting lamb during specified times, not necessarily according to what suits us, which is to market the entire amount in the spring, when our lambing season is on."

#### Unfavorable Situation

That is what we must do in order to be more successful in marketing our farm goods on the European market, with an eye to future EC farm policy. At this point the EC has classified farm goods into several overall groups, which are treated differently. The first group includes items (grains, dairy products, sugar, rice, and some oleaginous plants) that are of particular importance to the budget of the EC and are maximally protected through "political prices" maintained in several ways, ranging from a variety of taxes to producer subsidies. We are dealing with annual subsidies of about \$50 billion, shared by 5 to 8 percent of the EC population engaged in farming. The second group includes items (meat, vegetables, eggs, wine) that are not all that important to the Community budget and the import of which is free but subject to certain conditions. The third group includes items subject to a natural pricing system, and all that foreign exporters must do is pay the customs fees for selling their goods in the EC.

According to Dr. Todorov, in this case we must take into consideration the projections of the European economists. The EC experts are anticipating steady and even reduced prices of farm goods and a stagnation in marketing all farm

goods other than rice and the processing of poultry products (especially chicks and eggs). Considering such a "turn-around" of the market structure, we should assume that Macedonia, on the basis of its variety of export goods of farm origin, will benefit significantly. Specifically, in the present situation, Macedonia is interested in exporting tobacco, early garden crops, and livestock. During the 1990's, the EC will be maximally interested in limiting possibilities for importing tobacco and restructuring a high percentage of the areas which are now in grain crops for the production of low-stem vegetables. In terms of livestock breeding, a special program is being drafted to emphasize the production of healthy food products. The program will be discussed soon and, in all likelihood, will be adopted by the EC Council.

All in all, according to Todorov it is an illusion to hope for a heavy penetration into the farm markets of the EC, competing with its own agricultural output. This would be like a horse race pitting purebreds against ponies with the outcome already known. We must concentrate, above all, on improving our production standards, change the structure of farm crops, and concentrate on soybeans, cotton, and raw opium, improve the use of processing capacities (by 35 to 40 percent), and so forth. In order to ensure the easier implementation of such tasks we need the help of the EC, whether in terms of expertise or financial assistance.

#### \* Law on Financial Securities Previewed

93BA0839F Skopje VECER in Macedonian  
5 Mar 93 p 7

[Report by V.M. Bozinovska: "Securities Are Beginning To Be Used!"]

[Text] *The emission of securities is the only source for additional capital for the enterprises;*

*The issuing of securities is the exclusive prerogative of the Securities Commission;*

*In order to finance some budget requirements, the Republic will issue state bonds;*

*Preparations for opening a securities exchange.*

Recently the Macedonian Assembly passed the Law on Securities. This is a further step taken by the Republic to activate stock ownership and open a securities exchange, something that is a structural part of financial and banking operations in market-oriented countries. The practical implementation of this law and the floating of securities will turn on the tap for additional capital, which is, honestly, more than necessary to the enterprises, due to the fact that the remaining sources of financing expanded reproduction are virtually tapped out. For the time being, it is difficult for the Republic to obtain foreign loans as a source of financing; bank loans are becoming increasingly small because of a restrictive monetary policy, and relying on one's own funds is a long-forgotten category for enterprises, bearing in mind that such funds are simply unavailable.

### Emission by License Only

Therefore, the only source under the present circumstances is to issue long-term securities, above all shares of stock, to provide a substantial amount of capital which now is dispersed, above all, among the population. The enterprises are eagerly awaiting the passing of the Privatization Law, after which they will be able to issue stock as a means of acquiring short-term and long-term capital.

According to Dr. Ljupco Trpevski, government minister and chairman of the Securities Commission, the passing of such a law was extremely necessary, bearing in mind that we are stepping toward a new market way of management that implies the increased participation and use of securities that, so far, were infrequently used in our country. We have had only a few emissions of bonds, and work with securities is something virtually new.

The law deals with issuing stock, bonds, cashier checks, commercial drafts, and certificates, and regulates the ways and requirements for issuing such securities. Actually, according to that law securities may be issued also by enterprises, banks, and other financial organizations, insurance organizations, and the Republic and other legal entities. However, in order to issue securities one needs the permission of the Securities Commission, which is already in operation (it consists of six noted experts in that area). The commission was set up by the government and is answerable to the government only.

According to Trpevski, licenses will be issued only to growth enterprises, and those that can provide assurances that the ordinary purchaser will be protected from speculative risks. According to the law, only the state and enterprises that will issue charter shares will be exempt from the need for a Securities Commission license. Actually, the charter bonds will be treated as initial investments in founding the enterprise.

### Start With State Bonds

According to Trpevski, so far the commission has issued two licenses, to the Commercial and Agricultural Bank, to issue a second emission of stock; the issuing of licenses to be issued to several other banks is pending. Most enterprises have shown an interest in applying for licenses to issue securities. For the time being, however, they can do nothing until the Privatization Law has been passed.

The commission is the only one authorized to approve the organization of an efficient stock exchange in the Republic, supervise its work, and take steps to eliminate damaging speculative operations that may eventually be tried on that exchange. According to Trpevski, there is urgency to open such an exchange as soon as possible, for which purpose use will be made of the technical assistance given to us through the auspices of European and World Banks and by individual governments.

According to Trpevski, initially the Republic will float state bonds to finance budgetary and nonbudgetary requirements. Actually, this is a practice followed by most countries with a market economy, where most of the

budget deficit is covered precisely in this manner. The purchasers of such state bonds are granted a number of benefits as an incentive, including exemption from paying various taxes.

The law also calls for strict penalties for economic crimes committed by enterprises, banks, financial organizations, and other legal entities that issue securities without the permission of the commission, and if issued securities do not meet the basic stipulations required by the law. For this kind of economic crime, the law stipulates penalties ranging from 50 to 250 paychecks and protective steps, such as prohibition to issue securities for no more than three years; enterprise directors may lose their position for no more than three years.

### \* Feb Trade Figures Published, Examined

93BA0839B Skopje NOVA MAKEDONIJA in  
Macedonian 17 Mar 93 p 5

[Unattributed report: "Petroleum Retailers and Merchants Clash"]

[Text] *A total of 3,064 checks were made in February. Goods worth in excess of 7 million denars were confiscated from sellers. Twelve resolutions were issued prohibiting food imports.*

Market inspection officials keep the increased number of commercial companies which, legally or semilegally, are selling a variety of goods in the Republic under permanent control. Thus, in addition to the regular supervision and direct inspection of wholesale and retail trade, in February the inspectors checked the Tehnometal Vardar Wholesale Market and the fresh goods markets which engaged in prohibited trade in food items, tobacco, textiles, alcoholic beverages, and motor vehicle parts, and sold imported petroleum derivatives.

During the same month a total of 3,064 checks were conducted; they resulted in 802 administrative action resolutions, 461 violation statements, 132 charges of economic violations, and two criminal charges. Inspectors confiscated from sellers goods worth in excess of 7 million denars and prohibited the sale of goods worth in excess of 64 million denars. Illegal price differentials amounted to some 44 million denars, and 264 fines were levied, totaling 82,500 denars.

Trade in petroleum is becoming increasingly interesting not only to merchants but to inspectors as well. In this context, the inspectors have drawn up reports against several companies in the Republic who sold petroleum derivatives at prices higher than allowed. Such reports were drawn up against the Mehanika Automotive Enterprise, which showed illegal profits of about 2 million denars; several private gasoline stations in Struga, which overcharged customers by more than 37 million denars; the privately owned gasoline station in Debar, which was short by 690,000 denars; and the gasoline stations in Kicevo and Gevgelija, which were short by the same amount.

The inspectors targeted the sellers of goods worth in excess of 7 million denars and confiscated the goods. This included 22 kilograms of rolling cigarette tobacco. Bulgarian black marketeers were unable to sell their goods, worth more than 2 million denars, in Strumica; Albanian black marketeers were unable to sell goods worth 650,000 denars in Debar.

Import permits were issued in February in the Republic for 118 metric tons of frozen beef from Germany, 15 tons of pork from Romania, and 691 tons of poultry meat from Bulgaria. Twelve resolutions were issued prohibiting the import of 162 tons of food items worth in excess of 77 million denars. This applied to goods that various companies were to import from Iran, Albania, Bulgaria, Greece, Czechoslovakia, Hungary, Turkey, and Denmark.

**\* Jugobanka-Jubanka Firm Changes Name**

93BA0839E Skopje VECER in Macedonian  
5 Mar 93 p 4

[Makpres report: "Breakthrough in Foreign Trade"]

[Text] Skopje, 5 Mar—Jugobanka-Jubanka Corporation will be renamed "Bank for Foreign Trade, Incorporated, Skopje," according to Milan Nastovski, its general director. The bank will continue to provide all the services it has in the past.

Jugobanka was able to avoid the bankruptcy which threatened it because of a lack of cash liquidity by selling a share of its business to the Macedonian National Bank to which it owed money. "We paid for our peace of mind but the problem remains," Director Nastovski said, indicating that the claims filed against that bank by economic enterprises and the National Bank far exceeded the 1.93 billion denars that it owed to the Macedonian National Bank.

**\* Macedonian Workers 'Undesirable' in Switzerland**

93BA0839A Skopje NOVA MAKEDONIJA in  
Macedonian 16 Mar 93 p 14

[Report by S. Kiridzievska: "Swiss Government Decision: Macedonian 'Seasonal Workers' Are Undesirable"]

[Text] *The explanation for this decision resides in the internal economic problems of the country. Because of this it is estimated that by the end of this year the number of unemployed Swiss nationals will reach 200,000. The Swiss trade unions oppose the resolution*

Unless the Swiss Government changes its provisional decision, this will be the last year of work for the 5,000 Macedonian seasonal workers. Starting in 1994, no new workers will be accepted by Switzerland. It was on the basis of the September 1990 resolution that Switzerland accepted workers from the former Yugoslav states as part of the so-called "third round." Now, no new seasonal workers will be allowed to come and the older ones will only have one season left, from 8 March to December 1993.

The Swiss Government's decision is explained by internal economic problems, as a result of which it is estimated that by the end of this year the number of unemployed Swiss nationals will reach 200,000. The official explanation is that the war raging in former Yugoslavia is the reason. According to information provided by Luka Radic, who is a high official in the Swiss Industry and Construction Workers Trade Union, currently some 35,000 workers from former Yugoslavia are employed in Switzerland. About 19,000 are registered as seasonal workers, and 5,000 of them come from Macedonia, most of them employed in construction. This high percentage of foreign manpower is explained with the low mortgage interest rates which, until recently, averaged about 4 percent, which helped create some 140,000 jobs. However, the economic crisis which has now developed in Switzerland no longer permits construction on such a scale, and the first to suffer are the seasonal workers. This is worsened by the fact that employers who do not give first priority to native workers pay heavy penalties. According to Radic, this resolution, especially as it applies to Macedonian workers, is totally illogical, for Macedonia is not involved in the war and is also experiencing a severe economic crisis. For that precise reason, the Swiss Construction Workers Trade Union disagrees with the resolution and has submitted two petitions signed by 40,000 union members asking that this embargo be lifted. The only consolation is the fact that the resolution is temporary and depends on the duration of the war in Yugoslavia, although the main factor that will determine the return of the guest workers will be the strengthening of the Swiss economy.

All workers in Switzerland are protected by the collective contract that expires in 1994. It was negotiated directly between the representatives of the trade union and the employers, and this year the trade union was able to raise wages by 3 percent and shorten the working time by one-half hour. In Switzerland every worker is ensured and has the right to at least two pensions, one for old age and a supplementary second pension, also for old age. In order to earn the right to a pension, a worker must work no less than 12 months. Also, the families of Macedonian workers who perished in an airplane crash will be entitled to pensions.

**\* EC Embargo on Macedonian Lamb Viewed**

93BA0839D Skopje VECER in Macedonian 17 Mar 93  
p 3

[Report by J. Pavlovski: "Lamb Spiced With Politics?"]

[Text] *Why is there an embargo on the export of our lamb to the EEC?*

*Although since 1963 there have been no cases of foot-and-mouth disease or salivation disease, the EEC has blocked our lamb exports;*

*Greece could hardly wait for such a decision to block lamb imports.*

The embargo imposed by the European Community on exporting Macedonian lambs and lamb meat to the markets of its members will be the main reason for such

products to be sold for a very low price or else to remain unsold. This originated in Italy. The Veterinary Administration of the Italian Ministry of Agriculture had noted awhile back that there were cases of foot-and-mouth and salivation disease in sheep coming from Eastern European countries. For this reason it decided to stop the export of all varieties of livestock and meat from those countries.

Perhaps all of this could have had a basis in reality had it not not been spiced with a dose of politics, on which our southern neighbor jumped immediately, although this case affects Slovenia and Croatia where there have been cases of foot-and-mouth or salivation in sheep but expanded this to apply to other parts of former Yugoslavia.

In accordance with the consensus principle, this prohibition applied to all members. However, a certain tolerance has been shown for all Eastern European countries other than the former Yugoslav republics. Specifically, the Eastern European countries are allowed to export lamb and other meat varieties to the members of the European Community providing that 5 percent of each shipment is analyzed, something which is being done while the deliveries continue. Proof that since 1963 no single case of such diseases has been recorded in Macedonia is not accepted by the members of the European Community. This was welcome news for Greece that blocked the meat regardless of whether it came from the other former Yugoslav republics or Macedonia whose quotas set for that country will not be allowed to be exported from so-called "questionable" areas.

Through the Ministry of Agriculture, Forestry, and Water Resources, and directly through the government, our exporters have asked that proof be provided that such diseases have not affected sheep and cattle in Macedonia and for the European Community to lift the embargo. So far, however, there has been no answer and even if something is done, it would be difficult to export live lambs and meat, for transportation through circuitous routes is expensive and rough estimates indicate that this would cost an additional \$1,000 per metric ton.

The meaning of this embargo to the Republic is best described by the fact that among the markets of the members of the European Community, Macedonia was the biggest exporter of live lambs and lamb meat of the former Yugoslav republics (for the entire Yugoslavia the EC had approved an export quota of about 4,800 tons, 3,000 of which came from Macedonia, bringing in foreign currency in excess of \$15 million).

What will happen now? To begin with, the European Community had approved an export quota of 1,750 tons (about 1,300 tons less than the usual export quota) for Macedonia for this year. However, such exports have to be made during each individual season, which is impossible and, therefore, unacceptable. However, it had agreed to combine two quotas (875 tons) to be exported to Italy for the Easter holidays, worth about \$4 million. Now even this is a problem.

Finally, is there a solution? It is obvious that if the European Community does not lift the embargo on meat

imports from the former Yugoslav republics or does not exempt Macedonia from this embargo, the situation will be quite difficult. It is true that recently a step was taken by Israel to buy lamb from the Republic of Macedonia. However, the price offered by the companies in that country is drastically lower compared to the price at the markets of the European Community, especially Italy where, traditionally, most of our meat was exported. New markets are hard to find.

**\* Makpetrol General Director Discusses Company**  
*93BA0839C Skopje VECER in Macedonian 16 Mar 93*  
*p 7*

[Report by S. Padori: "Makpetrol" Is Heating Termofikacija]

[Text] *The Skopje Termofikacija [Heating System] owes Makpetrol about 11.15 billion denars for 40,000 metric tons of fuel oil. This means, in practical terms, that this winter the people of Skopje were heated by Makpetrol!*

*Customer supplies of derivatives was normalized with the procurement of about 300,000 tons of crude oil;*

*Discussion with Ljubomir Janev, the new Makpetrol general director.*

Over the past month and a half, the Republic's supply of petroleum derivatives has improved considerably, compared to the second half of last year. The derivatives which were bought "by the cupful" are now in adequate supply in all pumps and, something which is most important, there are no longer any lines or waiting.

Will this situation continue? The main problems facing the biggest distributor of petroleum derivatives in the Republic were the topic of our discussion with Ljubomir Janev, the general director of the Makpetrol Company in Skopje.

#### No Pressure

According to Ljubomir Janev, since the beginning of this year the Republic has procured more than 300,000 tons of crude oil. Of this amount, 105,000 tons were purchased by Makpetrol; about 120,000 tons were imported by the Skopje Refinery, and another 82,000 tons were procured and paid for out of a Soros loan. With these imports, the work of the Skopje Refinery was ensured and the market was regularly supplied, thus resolving the problems that existed most of last year.

Such good crude oil import "dynamics" were also the result of the adequate availability of foreign currency. For the time being, cooperation with exporting enterprises that have foreign currency is organized on a firm basis, and Makpetrol purchases the currency either by paying "cash." Subsequently, the activities related to the transfer of the currency to the suppliers are conducted most regularly through the Republic's commercial banks. On the other hand, foreign currency was suitably procured from the earnings of export enterprises, 12 percent of which were appropriated for petroleum purchases. Following the



changes in the exchange rate of the denar, as Janev pointed out, some of the enterprises did not transfer the entire amounts, waiting for the increases which they would earn for the automatic "leap" in the value of the foreign exchange that the National Bank would pay to them on the basis of the official exchange rate.

#### **Tremendous Demand**

Janev pointed out that although we currently have no major or urgent problems with the market and procurements, he could not say the same about demand. More specifically, according to available data, some 30 Republic companies owe Makpetrol about 25 billion denars. The biggest debtor, unquestionably, is Skopje Termofikacija, which owes 11.15 billion denars. In terms of fuel oil, this amounts to 40,000 tons. This means that throughout the winter it was Makpetrol that heated the people of Skopje! Although we are submitting demands to this customer every day, the chances are slim that it will be able to repay this debt. In turn, this is contributing to the disruption of Makpetrol's liquidity situation.

Other debtors include FENIMAK, the Skopje Ore Mines and Foundry, and a number of agricultural combines that need derivatives above all to heat the greenhouses. However, not even a single one of them has had its supplies cut

off so far, for any disruption in agricultural production would cause incalculable losses, considering investments in early garden crops, which would fail. Information on the debt has been submitted to the government authorities but their intervention cannot help. Naturally, all the authorities can do is ensure supplies of another 3,000 tons which will be issued to Termofikacija from the Republic reserves. Somehow, enough heat for the balance of the cold-weather season will be provided.

The situation with supplies and demands involving Makpetrol is as it is. Meanwhile, all that interests the customers is the inevitable question of prices. Is Makpetrol expecting any increase in the price of petroleum derivatives?

"The current price of the derivatives was based on the exchange rate of 1,900 denars to the dollar. If we take into consideration the black market rate we used to buy the foreign exchange, it is 2,280 denars. This will make it more than obvious that we have not 'covered' everything. As to devaluation and even greater disruptions of parity, it is logical to assume that we shall be asking for a new price although we are sure that this will not please the consumers," Ljubomir Janev, general director of Makpetrol concluded.

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